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The Board of Directors
Korea Investment & Securities Asia Limited
Suite 3716-19, Jardine House
1 Connaught Place
Central, Hong Kong

Your ref: ACFK/FS

27 November 2023

Dear Sirs

Korea Investment & Securities Asia Limited (the "Company")

We refer to the base listing document dated 27 November 2023 (the "Base Listing Document") in connection with the non-collateralised structured products to be issued by the Company and listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), a copy of which is attached and stamped by us on its front cover for the purpose of identification.

We hereby consent to the reproduction of our auditor's report dated 28 April 2023 on the financial statements of the Company for the year ended 31 December 2022 and our auditor's report dated 29 April 2022 on the financial statements of the Company for the year ended 31 December 2021 in the Base Listing Document, and the references to our name in the form and context in which they are included.

It should be noted that we have not performed an assurance engagement in accordance with any assurance standard on the financial statements of the Company for any period subsequent to 31 December 2022. This consent should not be construed as in any way updating or refreshing the aforementioned auditor's reports nor do we accept responsibility for those reports beyond that owed to those to whom those reports were addressed by us at the respective date of their issue.

Yours faithfully

Certified Public Accountants
Hong Kong

If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Hong Kong Exchanges and Clearing Limited ("HKEX"), The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Hong Kong Securities Clearing Company Limited ("HKSCC") take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

Non-collateralised Structured Products

Base Listing Document relating to
Structured Products to be issued by

true*Friend* Korea Investment
& Securities Asia Ltd.

Korea Investment & Securities Asia Limited

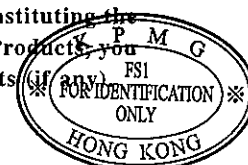
(incorporated with limited liability in Hong Kong)

This document, for which we accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") for the purpose of giving information with regard to us and our standard warrants ("Warrants"), callable bull/bear contracts ("CBBCs") and other structured products (together, the "Structured Products") to be listed on the Stock Exchange from time to time. This document may be updated and/or amended from time to time by way of addenda.

We, having made all reasonable enquiries, confirm that to the best of our knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

The Structured Products are complex products. You should exercise caution in relation to them. The Structured Products involve derivatives. Investors should not invest in the Structured Products unless they fully understand and are willing to assume the risks associated with them. Investors are warned that the price of the Structured Products may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. Prospective purchasers should therefore ensure that they understand the nature of the Structured Products and carefully study the risk factors set out in this document and the relevant launch announcement and supplemental listing document and, where necessary, seek professional advice, before they invest in the Structured Products.

The Structured Products constitute our general unsecured contractual obligations and of no other person and will rank equally among themselves with all our other unsecured obligations (save for those obligations preferred by law) upon liquidation. If you purchase the Structured Products, you are relying upon our creditworthiness and have no rights under the Structured Products against (a) the company which has issued the underlying assets; (b) the fund which has issued the underlying assets, or its trustee (if applicable) or manager; or (c) the index compiler of any underlying index or any company constituting the underlying index. If we become insolvent or default on our obligations under the Structured Products, you may not be able to recover all or even part of the amount due under the Structured Products.



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IMPORTANT INFORMATION

What is this document about?

This document is for information purposes only and does not constitute an offer, an advertisement or an invitation to the public to subscribe for or to acquire any Structured Products.

What documents should you read before investing in the Structured Products?

You must read this document (including any addendum to this document to be issued from time to time) together with the relevant launch announcement and supplemental listing document (each a “**Launch Announcement and Supplemental Listing Document**”) (including any addendum to such Launch Announcement and Supplemental Listing Document to be issued from time to time) (together, “**Listing Documents**”) before investing in the Structured Products. A Launch Announcement and Supplemental Listing Document will be issued prior to the listing date of each series of Structured Products, which will include detailed commercial terms of the relevant series. You should carefully study the risk factors set out in the Listing Documents.

Is there any guarantee or collateral for the Structured Products?

No. Our obligations under the Structured Products are neither guaranteed by any third party, nor collateralised with any of our assets or other collaterals. When you purchase our Structured Products, you are relying on our creditworthiness only, and of no other person. If we become insolvent or default on our obligations under the Structured Products, you can only claim as an unsecured creditor of the Issuer. In such event, you may not be able to recover all or even part of the amount due under the Structured Products (if any).

Are we regulated by the Hong Kong Monetary Authority referred to in Rule 15A.13(2) or the Securities and Futures Commission (“SFC”) referred to in Rule 15A.13(3)?

We are licensed for type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4

(advising on securities) regulated activities by the SFC. The Issuer is not regulated by any of the bodies referred to in Rule 15A.13(2) of the Listing Rules.

Are we rated by any credit rating agencies?

We have not been assigned any ratings by any credit rating agencies as at the date of this document.

The Structured Products are not rated.

Are we subject to any litigation?

Save as disclosed in this document, we have no litigation or claims of material importance pending or threatened against us.

Authorisation for the issue of the Structured Products

The issue of the Structured Products was authorised by our board of directors on 31 August 2023.

Has our financial position changed since 31 December 2022?

Save as disclosed in Appendices 5 and 6 to this document, there has been no material adverse change in our financial or trading position since 31 December 2022.

Do you need to pay any transaction cost?

The Stock Exchange charges a trading fee of 0.00565 per cent., the Securities and Futures Commission charges a transaction levy of 0.0027 per cent. and the Accounting and Financial Reporting Council charges a transaction levy of 0.00015 per cent. for each transaction effected on the Stock Exchange payable by each of the seller and the buyer and calculated on the value of the consideration for the Structured Products. The levy for the investor compensation fund is currently suspended.



Do you need to pay any tax?

You may be required to pay stamp duties, taxes and other charges in accordance with the laws and practices of the country of your purchase in addition to the purchase price of each Structured Product. See the section headed "Taxation" for further information.

Placing, sale and grey market dealings

No action has been or will be taken by us that would permit a public offering of any series of Structured Products or possession or distribution of any offering material in relation to any Structured Products in any jurisdiction (other than Hong Kong) where action for the purpose is required. No offers, sales, re-sales, transfers or deliveries of any Structured Products or distribution of any offering material relating to the Structured Products may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws or regulations and which will not impose any obligation on us.

The Structured Products may be sold to investors in the grey market in the period between the launch date and the listing date. We will report any dealings in Structured Products by us and/or any of our associated companies in the grey market to the Stock Exchange by the listing date and such report will be released on the website of HKEX.

Where can you read the relevant documents?

Copies of the following documents are available on the website of the HKEX at www.hkexnews.hk and our website at <https://kisasiawarrants.com/>

- (a) this document and any addenda or successor document to this document, which include our latest audited financial statements and any interim financial statements;
- (b) the consent letter from KPMG ("Auditor") in relation to the inclusion of its auditor's reports in this document;
- (c) the Launch announcement and Supplemental Listing Document as long as the relevant series of Structured Products is listed on the Stock Exchange.

以上各文件可於香港交易所披露易網站 www.hkexnews.hk 以及本公司網站 <https://kisasiawarrants.com/> 瀏覽。

Has the Auditor consented to the inclusion of its report to the Listing Documents?

Our Auditor has given and has not withdrawn its written consent to the inclusion of its reports dated 29 April 2022 and 28 April 2023 in this document and/or the references to its name in the Listing Documents, in the form and context in which they are included. Its reports were not prepared for incorporation into this document.

The Auditor does not hold our shares, nor does it have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities.

Authorised representatives

LEE Kang-hee and LEUNG Chi Kong of Suites 3716-19, Jardine House, 1 Connaught Place, Central, Hong Kong are our authorised representatives.

How can you get further information about us?

You may visit <https://kisasiawarrants.com/> to obtain further information about us and/or the Structured Products.

You must note that the information on our website will be of a general nature and cannot be relied upon as accurate and/or correct and will not have been prepared exclusively for the purposes of any particular financial instrument issued by us, including the Structured Products.

Governing law of the Structured Products

All contractual documentation for the Structured Products will be governed by, and construed in accordance with, the laws of Hong Kong.



The Listing Documents are not the sole basis for making an investment decision

The Listing Documents do not take into account your investment objectives, financial situation or particular needs. Nothing in the Listing Documents should be construed as a recommendation by us or our affiliates to invest in the Structured Products or the underlying asset of the Structured Products.

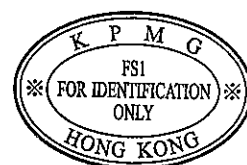
No person has been authorised to give any information or to make any representations other than those contained in this document in connection with the Structured Products, and, if given or made, such information or representations must not be relied upon as having been authorised by us.

The Stock Exchange and HKSCC have made no assessment of, nor taken any responsibility for, our financial soundness or the merits of investing in any Structured Products, nor have they verified the accuracy or the truthfulness of statements made or opinions expressed in this document.

This document has not been reviewed by the SFC. You are advised to exercise caution in relation to the offer of the Structured Products.

Capitalised terms

Unless otherwise specified, capitalised terms used in this document have the meanings set out in the General Conditions set out in Appendix 1 and the Product Conditions applicable to the relevant series of Structured Products set out in Appendix 2 and Appendix 3 (together, the “Conditions”).



OVERVIEW OF WARRANTS

What is a Warrant?

A Warrant is a type of derivative warrants.

A derivative warrant linked to a share of a company, a unit or share of a fund, an index or such other asset as prescribed by the Stock Exchange from time to time (each an “Underlying Asset”) is an instrument which gives the holder an investment exposure to the Underlying Asset by reference to a pre-set price or level called the Exercise Price or Strike Level on the Expiry Date. It usually costs a fraction of the value of the Underlying Asset.

A derivative warrant may provide leveraged return to you (but conversely, it could also magnify your losses).

How and when can you get back your investment?

Our Warrants are European style warrants. This means they will be automatically exercised on the Expiry Date, entitling the holder to a potential cash amount called the “Cash Settlement Amount” (if positive) according to the Conditions in the Listing Documents.

You will receive the Cash Settlement Amount (if any) less any Exercise Expenses upon expiry. If the Cash Settlement Amount is equal to or less than the Exercise Expenses, no amount is payable to you upon expiry and you will lose all of your investment in the Structured Products.

How do our Warrants work?

The potential payoff upon expiry of the Warrants is calculated by us by reference to the difference between:

- (a) for Warrants linked to a share or unit, the Exercise Price and the Average Price; and
- (b) for Warrants over an index, the Strike Level and the Closing Level.

Call Warrant

A call Warrant is suitable for an investor holding a bullish view of the price or level of the Underlying Asset during the term of the Warrant.

A call Warrant will be exercised if the Average Price/Closing Level is greater than the Exercise Price/Strike Level (as the case may be). The more the Average Price/Closing Level exceeds the Exercise Price/Strike Level (as the case may be), the higher the payoff upon expiry. If the Average Price/Closing Level is at or below the Exercise Price/Strike Level (as the case may be), an investor in the call Warrant will lose all of his investment.

Put Warrant

A put Warrant is suitable for an investor holding a bearish view of the price or level of the Underlying Asset during the term of the Warrant.

A put Warrant will be exercised if the Average Price/Closing Level is below the Exercise Price/Strike Level (as the case may be). The more the Average Price/Closing Level is below the Exercise Price/Strike Level (as the case may be), the higher the payoff upon expiry. If the Exercise Price/Strike Level is at or below the Average Price/Closing Level (as the case may be), an investor in the put Warrant will lose all of his investment.

Where can you find the Product Conditions applicable to our Warrants?

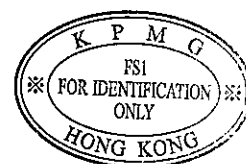
You should review the Product Conditions applicable to each type of the Warrants before your investment.

The Product Conditions applicable to each type of our Warrants are set out in Appendix 2 (as may be supplemented by any addendum or the relevant Launch Announcement and Supplemental Listing Document).

What are the factors determining the price of a derivative warrant?

The price of a warrant generally depends on the prevailing price/level of the Underlying Asset. However, throughout the term of a warrant, its price will be influenced by a number of factors, including:

- (a) the Exercise Price/Strike Level of the warrants;



- (b) the value and volatility of the price/level of the Underlying Asset (being a measure of the fluctuation in the price/level of the Underlying Asset);
- (c) the time remaining to expiry: generally, the longer the remaining life of the warrant, the greater its value;
- (d) interest rate;
- (e) expected dividend payments or other distributions on the Underlying Asset or on any components comprising the underlying index;
- (f) the liquidity of the Underlying Asset or the futures contracts relating to the underlying index;
- (g) the supply and demand for the warrant;
- (h) our related transaction cost; and
- (i) our creditworthiness.

What is your maximum loss?

Your maximum loss in Warrants will be your entire investment amount plus any transaction costs.

How can you get information about the warrants after issue?

You may visit our website <https://kisasiawarrants.com/> to obtain further information on derivative warrants or any notice given by us in relation to our Warrants.



OVERVIEW OF CBBCS

What are CBBCs?

CBBCs are a type of Structured Products that track the performance of an Underlying Asset. CBBCs can be issued on different types of Underlying Assets as prescribed by the Stock Exchange from time to time, including:

- (a) shares of a company listed on the Stock Exchange;
- (b) units or shares of a fund listed on the Stock Exchange; and/or
- (c) Hang Seng Index, Hang Seng China Enterprises Index, Hang Seng TECH Index and Hang Seng China H-Financials Index.

A list of eligible Underlying Assets for CBBCs is available on the website of the Stock Exchange at https://www.hkex.com.hk/Products/Securities/Structured-Products/Eligible-Underlying-Assets?sc_lang=en.

CBBCs are issued either as bull CBBCs or bear CBBCs, allowing you to take either bullish or bearish positions on the Underlying Asset.

Bull CBBCs are designed for investors who have an optimistic view on the Underlying Asset. Bear CBBCs are designed for investors who have a pessimistic view on the Underlying Asset.

CBBCs have a mandatory call feature (the “Mandatory Call Event”) and, subject to the limited circumstances set out in the relevant Conditions in which a Mandatory Call Event may be reversed, we must terminate our CBBCs upon the occurrence of a Mandatory Call Event. See “What are the mandatory call features of CBBCs?” below for further information.

There are 2 categories of CBBCs, namely:

- (a) Category R CBBCs; and
- (b) Category N CBBCs.

Your entitlement following the occurrence of a Mandatory Call Event will depend on the category of the CBBCs. See “Category R CBBCs vs. Category N CB BCs “below for further information.

If no Mandatory Call Event occurs, the CBBCs will be exercised automatically on the Expiry Date by payment of a Cash Settlement Amount (if any) on the Settlement Date. The Cash Settlement Amount (if any) payable at expiry represents the difference between the Closing Price/Closing Level of the Underlying Asset on the Valuation Date and the Strike Price/Strike Level.

What are the mandatory call features of CBBCs?

Mandatory Call Event

Subject to the limited circumstances set out in the relevant Product Conditions in which a Mandatory Call Event may be reversed, we must terminate the CBBCs if a Mandatory Call Event occurs. A Mandatory Call Event occurs if the Spot Price/ Spot Level of the Underlying Asset is:

- (a) at or below the Call Price/Call Level (in the case of a bull CBBC); or
- (b) at or above the Call Price/Call Level (in the case of a bear CBBC),

at any time during the Observation Period. The Observation Period starts from and includes the Observation Commencement Date of the relevant CBBCs and ends on and includes the Trading Day immediately preceding the Expiry Date.

Subject to the limited circumstances set out in the relevant Product Conditions in which a Mandatory Call Event may be reversed and such modification and amendment as may be prescribed by the Stock Exchange from time to time:

- (a) all trades in the CBBCs concluded via auto-matching or manually after the time of the occurrence of a Mandatory Call Event; and
- (b) where the Mandatory Call Event occurs during a pre-opening session or closing auction session (if applicable), all auction trades in the CBBCs concluded in such session and all manual trades concluded after the end of the pre-order matching period in such session,

will be invalid and cancelled, and will not be recognised by us or the Stock Exchange.



The time at which a Mandatory Call Event occurs will be determined by reference to:

- (a) in respect of CBBCs over single equities or CBBCs over exchange traded funds ("ETF") listed on the Stock Exchange, the Stock Exchange's trading system time at which the Spot Price is at or below the Call Price (in the case of a bull CBBC) or is at or above the Call Price (in the case of a bear CBBC); or
- (b) in respect of CBBCs over index, the time the relevant Spot Level is published by the Index Compiler at which the Spot Level is at or below the Call Level (in the case of a bull CBBC) or is at or above the Call Level (in the case of a bear CBBC),

subject to the rules and requirements as prescribed by the Stock Exchange from time to time.

Category R CBBCs vs. Category N CBBCs

The Launch Announcement and Supplemental Listing Document for the relevant series of CBBCs will specify whether the CBBCs are Category R CBBCs or Category N CBBCs.

"Category R CBBCs" refer to CBBCs for which the Call Price/Call Level is different from their Strike Price/Strike Level. In respect of a series of Category R CBBCs, you may receive a cash payment called the Residual Value upon the occurrence of a Mandatory Call Event. The amount of the Residual Value payable (if any) is calculated by reference to:

- (a) in respect of a series of bull CBBCs, the difference between the Minimum Trade Price/Minimum Index Level and the Strike Price/Strike Level of the Underlying Asset; and
- (b) in respect of a series of bear CBBCs, the difference between the Strike Price/Strike Level and the Maximum Trade Price/Maximum Index Level of the Underlying Asset.

You must read the applicable Product Conditions and the relevant Launch Announcement and Supplemental Listing Document to obtain further information on the calculation formula of the Residual Value applicable to Category R CBBCs.

"Category N CBBCs" refer to CBBCs for which the Call Price/Call Level is equal to their Strike Price/Strike Level. In respect of a series of Category N CBBCs, you will not receive any cash payment following the occurrence of a Mandatory Call Event.

You may lose all of your investment in a particular series of CBBCs if:

- (a) in the case of a series of bull CBBCs, the Minimum Trade Price/Minimum Index Level of the Underlying Asset is equal to or less than the Strike Price/Strike Level; or
- (b) in the case of a series of bear CBBCs, the Maximum Trade Price/Maximum Index Level of the Underlying Asset is equal to or greater than the Strike Price/Strike Level.

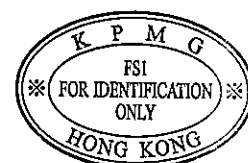
How is the funding cost calculated?

The issue price of a series of CBBCs represents the difference between the initial reference spot price/spot level of the Underlying Asset as at the launch date of the CBBC and the Strike Price/Strike Level, plus the applicable funding cost.

The initial funding cost applicable to each series of CBBCs will be specified in the relevant Launch Announcement and Supplemental Listing Document. The funding cost will fluctuate throughout the life of the CBBCs as the funding rate changes from time to time. The funding rate is a rate determined by us based on one or more of the following factors, including but not limited to the Strike Price/Strike Level, the prevailing interest rate, the expected life of the CBBCs, expected notional dividends or distributions in respect of the Underlying Asset and the margin financing provided by us. Further details about the funding cost applicable to a series of CBBCs will be described in the relevant Launch Announcement and Supplemental Listing Document.

Do you own the Underlying Asset?

CBBCs convey no interest in the Underlying Asset. We may choose not to hold the Underlying Asset or any derivatives contracts linked to the Underlying Asset. There is no restriction through the issue of the CBBCs on the ability of us and/or



our affiliates to sell, pledge or otherwise convey all right, title and interest in any Underlying Asset or any derivatives products linked to the Underlying Asset.

Where can you find the Product Conditions applicable to our CBBCs?

You should review the Product Conditions applicable to each type of the CBBCs before your investment.

The Product Conditions applicable to each type of our CBBCs are set out in Appendix 3 (as may be supplemented by any addendum or the relevant Launch Announcement and Supplemental Listing Document).

What are the factors determining the price of a series of CBBCs?

The price of a series of CBBCs tends to follow closely the movement in the value of the Underlying Asset in dollar value (on the assumption of an entitlement ratio of one CBBC to one unit of the Underlying Asset)

However, throughout the term of a CBBC, its price will be influenced by a number of factors, including:

- (a) the Strike Price/Strike Level and the Call Price/Call Level;
- (b) the likelihood of the occurrence of a Mandatory Call Event;
- (c) for Category R CBBCs only, the probable range of the Residual Value payable upon the occurrence of a Mandatory Call Event;
- (d) the time remaining to expiry;

(e) the interim interest rates and expected dividend payments or other distributions on the Underlying Asset or on any components comprising the underlying index;

(f) the supply and demand for the CBBCs;

(g) the probable range of the Cash Settlement Amounts;

(h) the liquidity of the Underlying Asset or futures contracts relating to the underlying index;

(i) our related transaction cost; and

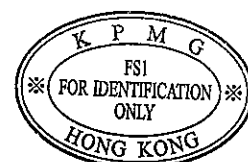
(j) our creditworthiness.

What is your maximum loss in CBBCs?

Your maximum loss in CBBCs will be your entire investment amount plus any transaction cost.

How can you get information about the CBBCs after issue?

You may visit our website <https://kisasiawarrants.com/> to obtain further information on CBBCs or any notice given by us in relation to our CBBCs.



INFORMATION ABOUT US

Place of incorporation

The Issuer is incorporated in Hong Kong with limited liability.

Background

The Issuer is a wholly-owned subsidiary of Korea Investment & Securities Co., Ltd. (“KIS Korea”), which is in turn a wholly-owned subsidiary of Korea Investment Holdings Co., Ltd. (Stock Code: 071050.KS, together with its subsidiaries, the “Group”).

Business activities of the Issuer

The Issuer is principally engaged in securities brokerage, securities dealing and advisory services to investors (including retail investors), futures contracts dealing services to the professional investors (as defined in SFO), investment and trading supporting services to the immediate holding company and its affiliates and ETF market making activities on the Stock Exchange.

Business activities of the Group

The Group has a diversified business line including securities, asset management, savings bank, credit finance, venture capital, private equity funds and real estate trust. The Group established an integrated risk management system to operate its risk management. Each affiliate of the Group concentrates on strengthening its risk management in the IT sector and protecting financial consumers, including cyber security and personal information.

Members of the Issuer’s board of directors as of 27 November 2023 are:

- LEE, Kang-hee
- CHUN, Sung Woo



RISK FACTORS

Not all of the risk factors described below will be applicable to a particular series of Structured Products. Please consider all risks carefully prior to investing in any Structured Products and consult your professional independent financial adviser and legal, accounting, tax and other advisers with respect to any investment in the Structured Products. Please read the following section together with the risk factors set out in the relevant Launch Announcement and Supplemental Listing Document.

General risks relating to us

Non-collateralised Structured Products

The Structured Products are not secured on any of our assets or any collateral. Each series of Structured Products constitutes our general unsecured contractual obligations and of no other person and will rank equally with our other unsecured contractual obligations and with our unsecured and unsubordinated debt. At any given time, the number of our Structured Products outstanding may be substantial.

Credit risk

If you purchase our Structured Products, you are relying upon our creditworthiness and have no rights under these products against:

- (a) any company which issues the underlying shares;
- (b) the fund which issues the underlying securities or its trustee (if applicable) or manager; or
- (c) any index compiler of the underlying index.

As our obligations under the Structured Products are unsecured, we do not guarantee the repayment of your investment in any Structured Product.

If we become insolvent or default on our obligations under the Structured Products, you may not be able to recover all or even part of the amount due under the Structured Products (if any).

Repurchase of our Structured Products

We may repurchase the Structured Products from time to time in the private market or otherwise at a negotiated price or at the prevailing market price at our discretion. You should not make any

assumption as to the number of Structured Products in issue for any particular series at any time.

No deposit liability or debt obligation

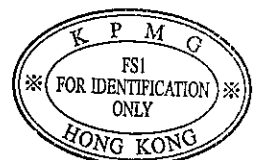
We are obliged to deliver to you the Cash Settlement Amount under the Conditions of each series of Structured Product upon expiry. We do not intend (expressly, implicitly or otherwise) to create a deposit liability or a debt obligation of any kind by the issue of any Structured Product.

Conflicts of interest

The Group engages in financial activities for our own account or the account of others. The Group, in connection with our other business activities, may possess or acquire material information about the Underlying Assets to which a Structured Product is linked. Such activities may involve or otherwise affect the Underlying Assets in a manner that may cause consequences adverse to you or otherwise create conflicts of interests in connection with the issue of Structured Products by us. Such actions and conflicts may include, without limitation, the purchase and sale of securities and exercise of creditor rights.

The Group:

- (a) has no obligation to disclose such information about the Underlying Assets or such activities. The Group and our officers and directors may engage in any such activities without regard to the issue of Structured Products by us or the effect that such activities may directly or indirectly have on any Structured Product;
- (b) may from time to time engage in transactions involving the Underlying Assets for our proprietary accounts and/or for accounts under our management and/or to hedge against the market risk associated with issuing the Structured Products. Such



transactions may have a positive or negative effect on the price/level of the Underlying Assets and consequently upon the value of the relevant series of Structured Products;

- (c) may from time to time act in other capacities with regard to the Structured Products, such as in an agency capacity and/or as the liquidity provider;
- (d) may issue other derivative instruments in respect of the Underlying Assets and the introduction of such competing products into the market place may affect the value of the relevant series of Structured Products; and/or
- (e) may also act as underwriter in connection with future offerings of the Underlying Assets or may act as financial adviser to the issuer, or sponsor, as the case may be, of any such Underlying Assets, the trustee (if applicable) or the manager of the ETF. Such activities could present certain conflicts of interest and may affect the value of the Structured Products.

Not the ultimate holding company of the group

We are not the ultimate holding company of the group to which we belong. Our ultimate holding company is Korea Investment Holdings Co., Ltd., a listed company of the Republic of Korea, which wholly owns us.

General risks in relation to Structured Products

The Structured Products are not principal protected and you may lose all your investment in the Structured Products

Structured Products involve a high degree of risk, and are subject to a number of risks which may include interest rate, foreign exchange, time value, market and/or political risks. Structured Products may expire worthless. The past performance of a Structured Product or an Underlying Asset is not indicative of its future performance.

Options, warrants and equity linked instruments are priced primarily on the basis of the price/level of the Underlying Asset, the volatility of the Underlying Asset's price/level and the time remaining to expiry of the Structured Product.

The price of Structured Products generally may fall in value as rapidly as they may rise and you

should be prepared to sustain a significant or total loss of the purchase price of the Structured Products. Assuming all other factors are held constant, the more the underlying share price, unit price or index level of a Structured Product moves in a direction against you and the shorter its remaining term to expiration, the greater the risk that you will lose all or a significant part of your investment.

The European style Structured Products are only exercisable on their respective Expiry Dates and may not be exercised by you prior to the relevant Expiry Date. Accordingly, if on such Expiry Date the Cash Settlement Amount is zero or negative, you will lose the value of your investment.

The risk of losing all or any part of the purchase price of a Structured Product means that, in order to recover and realise a return on your investment, you must generally anticipate correctly the direction, timing and magnitude of any change in the price/level of the Underlying Asset specified in the relevant Launch Announcement and Supplemental Listing Document.

Changes in the price/level of an Underlying Asset can be unpredictable, sudden and large and such changes may result in the price/level of the Underlying Asset moving in a direction which will negatively impact upon the return on your investment. You therefore risk losing your entire investment if the price/level of the relevant Underlying Asset does not move in the anticipated direction.

The value of the Structured Products may be disproportionate or opposite to the movement in price/level of the Underlying Assets

An investment in Structured Products is not the same as owning the Underlying Assets or having a direct investment in the Underlying Asset. The market values of Structured Products are linked to the relevant Underlying Assets and will be influenced (positively or negatively) by it or them but any change may not be comparable and may be disproportionate. For example, for a call Warrant, it is possible that while the price or level of the Underlying Assets is increasing, the value of the Warrant is falling.



If you intend to purchase any series of Structured Products to hedge against the market risk associated with investing in the Underlying Asset, you should recognise the complexities of utilising Structured Products in this manner. For example, the value of the Structured Products may not exactly correlate with the price/level of the Underlying Asset. Due to fluctuations in supply and demand for Structured Products, there is no assurance that their value will correlate with movements of the Underlying Asset.

Furthermore, it may not be possible to liquidate the Structured Products at a level which directly reflects the price/level of the Underlying Asset or portfolio of which the Underlying Asset forms a part. Therefore, it is possible that you could suffer substantial losses in the Structured Products in addition to any losses suffered with respect to investments in or exposures to the Underlying Asset.

Possible illiquidity of secondary market

It is not possible to predict if and to what extent a secondary market may develop in any series of Structured Products and at what price such series of Structured Products will trade in the secondary market and whether such market will be liquid or illiquid. The fact that the Structured Products are listed does not necessarily lead to greater liquidity than if they were not listed.

A lessening of the liquidity of the affected series of Structured Products may cause, in turn, an increase in the volatility associated with the price of such Structured Products.

While we have, or will appoint, a liquidity provider for the purposes of making a market for each series of Structured Products, there may be circumstances outside our control or the appointed liquidity provider's control where the appointed liquidity provider's ability to make a market in some or all series of Structured Products is limited, restricted, and/or without limitation, frustrated. In such circumstances we will use our best endeavours to appoint an alternative liquidity provider.

Interest rates

Value of the Structured Products in the secondary market may be sensitive to movements in interest rates with respect to the currency of denomination of the Underlying Assets and/or the

Structured Products. A variety of factors influence interest rates such as macro economic, governmental, speculative and market sentiment factors. Such fluctuations may have an impact on the value of the Structured Products at any time prior to valuation of the Underlying Assets relating to the Structured Products.

Time decay

The settlement amount of certain series of Structured Products at any time prior to expiration may be less than the trading price of such Structured Products at that time. The difference between the trading price and the settlement amount will reflect, among other things, a "time value" of the Structured Products. The "time value" of the Structured Products will depend upon, among others, the length of the period remaining to expiration and expectations concerning the range of possible future prices/levels of the Underlying Assets. The value of a Structured Product is likely to decrease over time. Therefore, the Structured Products should not be viewed as products for long term investments.

Taxes

You may be required to pay stamp duty or other taxes or other documentary charges. If you are in doubt as to your tax position, you should consult your own independent tax advisers. In addition, you should be aware that tax regulations and their application by the relevant taxation authorities may change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time. See the section headed "Taxation" for further information.

Modification to the Conditions

Under the Conditions, we may, without your consent, effect any modification of the terms and conditions applicable to the Structured Products or the Instrument which, in our opinion is:

- (a) not materially prejudicial to the interests of the holder of the Structured Products generally (without considering the circumstances of any individual holder or the tax or other consequences of such modification in any particular jurisdiction);
- (b) of a formal, minor or technical nature;



- (c) made to correct a manifest error; or
- (d) necessary in order to comply with mandatory provisions of the laws or regulations of Hong Kong.

Possible early termination for illegality or impracticability

If we determine in good faith and in a commercially reasonable manner that, for reasons beyond our control, it has become or it will become illegal or impracticable:

- (a) for us to perform our obligations under the Structured Products in whole or in part as a result of (i) the adoption of or any change in any relevant law or regulation or (ii) the promulgation of, or any change, in the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation, (each of (i) and (ii), a "Change in Law Event"); or
- (b) for us or our affiliates to maintain our hedging arrangements with respect to the Structured Product due to a Change in Law Event,

we may terminate early such Structured Products. If we terminate early the Structured Products, we will, if and to the extent permitted by applicable law, pay an amount determined by us in good faith and in commercially reasonable manner to be the fair market value notwithstanding the illegality or impracticability less the cost to us of unwinding any related hedging arrangements. Such amount may be substantially less than your initial investment and may be zero.

Exchange rate risk

There may be an exchange rate risk in the case of cash settled Structured Products where the Cash Settlement Amount will be converted from a foreign currency into the Settlement Currency. Exchange rates between currencies are determined by forces of supply and demand in the foreign exchange markets. These forces are, in turn, affected by factors such as international balances of payments and other economic and financial conditions, government intervention in currency markets and currency trading speculation. Fluctuations in foreign exchange

rates, foreign political and economic developments and the imposition of exchange controls or other foreign governmental laws or restrictions applicable to such investments may affect the foreign currency market price and the exchange rate-adjusted equivalent price of the Structured Products. Fluctuations in the exchange rate of any one currency may be offset by fluctuations in the exchange rate of other relevant currencies.

Risks in relation to the Underlying Asset

You have no right to the Underlying Asset

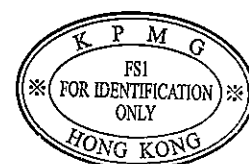
Unless specifically indicated in the Conditions, you will not be entitled to any:

- (a) voting rights or rights to receive dividends or other distributions or any other rights that a holder of the underlying shares or units would normally be entitled to; or
- (b) voting rights or rights to receive dividends or other distributions or any other rights with respect to any company constituting any underlying index.

Valuation risk

An investment in Structured Products may involve valuation risk with regards to the Underlying Asset to which the particular series of Structured Products relate. The price/level of the Underlying Asset may vary over time and may increase or decrease by reference to a variety of factors which may include corporate actions, macro economic factors, speculation and, where the Underlying Asset is an index, changes in the formula for or the method of calculating the index.

Where the Structured Products are linked to certain Underlying Asset in a developing financial market, you should note a developing financial market differs from most developed markets in various aspects, including the growth rate, government involvement and control, level of development and foreign exchange control. Any rapid or significant changes in the economic, political or social condition and the government policies of the developing financial market may result in large fluctuations in the value or level of the Underlying Asset. Such fluctuations may affect the market value of the Structured Products and hence your investment return.



You must be experienced with dealings in these types of Structured Products and must understand the risks associated with dealings in such products. You should reach an investment decision only after careful consideration, with your advisers, of the suitability of any Structured Product in light of your particular financial circumstances, the information regarding the relevant Structured Product and the particular Underlying Asset to which the value of the relevant Structured Product relates.

Adjustment related risk

Certain events relating to the Underlying Asset require or, as the case may be, permit us to make certain adjustments or amendments to the Conditions. You have limited anti-dilution protection under the Conditions of the Structured Products. We may, in our sole and absolute discretion and in a commercially reasonable manner, adjust, among other things, the Entitlement, the Exercise Price, the Strike Level, the Strike Price, Closing Price, Closing Level, Call Price, Call Level (if applicable) or any other terms (including without limitation the closing price or the closing level of the Underlying Asset) of any series of Structured Product. However, we are not required to make an adjustment for every event that may affect an Underlying Asset, in which case the market price of the Structured Product and the return upon the expiry of the Structured Product may be affected.

In the case of Structured Products which relate to an index, in addition, the level of the index may be published by the index compiler at a time when one or more shares comprising the index are not trading. If this occurs on the Valuation Date but such occurrence does not constitute a Market Disruption Event under the Conditions, then the value of such share(s) may not be included in the level of the index. In addition, certain events relating to the index (including a material change in the formula or the method of calculating the index or a failure to publish the index) permit us to determine the level of the index on the basis of the formula or method last in effect prior to such change in formula or method, but using only those securities that comprised the index immediately prior to that change or failure (other than those securities that have since ceased to be listed on the relevant exchange).

Suspension of trading

If an Underlying Asset is suspended from trading or dealing for whatever reason on the market on which it is listed or dealt in (including the Stock Exchange), trading or dealing in the relevant series of Structured Product may be suspended for a similar period. In addition, if an Underlying Asset is an index and the calculation and/or publication of the index level by the index compiler is suspended for whatever reasons, trading in the relevant series of Structured Product may be suspended for a similar period. The value of the Structured Products will decrease over time as the length of the period remaining to expiration becomes shorter. You should note that in the case of a prolonged suspension period, the market price of the Structured Products may be subject to a significant impact of time decay of such prolonged suspension period and may fluctuate significantly upon resumption of trading after the suspension period of the Structured Products. This may adversely affect your investment in the Structured Products.

Delay in settlement

Unless otherwise specified in the relevant Conditions, in the case of any expiry of Structured Products, there may be a time lag between the date on which the Structured Products expire and the time the applicable settlement amount relating to such event is determined. Any such delay between the time of expiry and the determination of the settlement amount will be specified in the relevant Conditions.

However, such delay could be significantly longer, particularly in the case of a delay in the expiry of such Structured Products arising from a determination by us that a Market Disruption Event, Settlement Disruption Event or delisting of a company or fund has occurred at any relevant time or that adjustments are required in accordance with the Conditions.

The applicable settlement amount may change significantly during any such period, and such movement or movements could decrease or modify the settlement amount of the Structured Products.



You should note that in the event of a Settlement Disruption Event or a Market Disruption Event, payment of the Cash Settlement Amount may be delayed as more fully described in the Product Conditions.

Risk specific to underlying asset adopting the multiple counters model

Where the Underlying Asset of Structured Products adopts the multiple counters model for trading its units or shares on the Stock Exchange in Hong Kong dollars (“HKD”) and one or more foreign currencies (such as Renminbi and/or United States Dollars) (“Foreign Currency”) separately, the novelty and relatively untested nature of the Stock Exchange’s multiple counters model may bring the following additional risks:

- (a) the Structured Products may be linked to the HKD-traded or the Foreign Currency traded units or shares. If the Underlying Asset of Structured Products is the units or shares traded in one currency counter, movements in the trading prices of the units or shares traded in another currency counter should not directly affect the price of the Structured Products;
- (b) if there is a suspension of inter-counter transfer of such units or shares between different currency counters for any reason, such units or shares will only be able to be traded in the relevant currency counter on the Stock Exchange, which may affect the demand and supply of such units or shares and have an adverse effect on the price of the Structured Products; and
- (c) the trading price on the Stock Exchange of the units or shares traded in one currency counter may deviate significantly from the trading price on the Stock Exchange of shares or units traded in another currency counter due to different factors, such as market liquidity, foreign exchange conversion risk, supply and demand in each counter and the exchange rate fluctuation. Changes in the trading price of the Underlying Asset of Structured Products in the relevant currency counter may adversely affect the price of the Structured Products.

Risks relating to Structured Products over funds

General risks

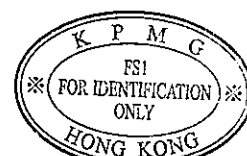
In the case of Structured Products which relate to units or shares of a fund:

- (a) we and our affiliates do not have the ability to control or predict the actions of the trustee (if applicable) or the manager of the relevant fund. Neither the trustee (if applicable) nor the manager of the relevant fund (i) is involved in the offer of any Structured Product in any way, or (ii) has any obligation to consider the interests of the holders of any Structured Product in taking any corporate actions that might affect the value of any Structured Product; and
- (b) we have no role in the relevant fund. The manager of the relevant fund is responsible for making strategic, investment and other trading decisions with respect to the management of the relevant fund consistent with its investment objectives and in compliance with the investment restrictions as set out in the constitutive documents of the relevant fund. The manner in which the relevant fund is managed and the timing of the manager’s actions may have a significant impact on the performance of the relevant fund. Hence, the market price of the relevant units or shares is also subject to these risks.

Exchange traded funds

In the case of Structured Products linked to units or shares of an ETF, you should note that:

- (a) an ETF is exposed to the economic, political, currency, legal and other risks of a specific sector or market related to the underlying asset pool or index or market that the ETF is designed to track;
- (b) there may be disparity between the performance of the ETF and the performance of the underlying asset pool or index or market that the ETF is designed to track as a result of, for example, failure of the tracking strategy, currency differences, fees and expenses; and



- (c) where the underlying asset pool or index or market that the ETF tracks is subject to restricted access, the efficiency in the creation or redemption of units or shares to keep the price of the ETF in line with its net asset value may be disrupted, causing the ETF to trade at a higher premium or discount to its net asset value. Hence, the market price of the Structured Products will also be indirectly subject to these risks.

Synthetic exchange traded funds

Additionally, where the Underlying Asset comprises the units or shares of an ETF adopting a synthetic replication investment strategy to achieve its investment objectives by investing in financial derivative instruments linked to the performance of an underlying asset pool or index that the ETF is designed to track ("**Synthetic ETF**"), you should note that:

- (a) investments in financial derivative instruments will expose the Synthetic ETF to the credit, potential contagion and concentration risks of the counterparties who issued such financial derivative instruments. As such counterparties are predominantly international financial institutions, the failure of one such counterparty may have a negative effect on other counterparties of the Synthetic ETF. Even if the Synthetic ETF has collateral to reduce the counterparty risk, there may still be a risk that the market value of the collateral has fallen substantially when the Synthetic ETF seeks to realise the collateral; and
- (b) the Synthetic ETF may be exposed to higher liquidity risk if the Synthetic ETF invests in financial derivative instruments which do not have an active secondary market.

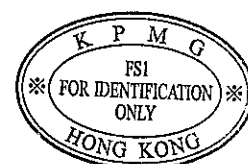
The above risks may have a significant impact on the performance of the relevant ETF or Synthetic ETF and hence the market price of Structured Products linked to such ETF or Synthetic ETF.

Risks related to the ETF investing through the QFI regimes and/or China Connect

Where the Underlying Asset comprises the units or shares of an ETF ("**China ETF**") issued and traded outside Mainland China with direct investment in the Mainland China's securities

markets through the Qualified Foreign Institutional Investor regime and Renminbi Qualified Foreign Institutional Investor regime (collectively, "**QFI regimes**") and/or the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect (collectively, "**China Connect**"), you should note that, amongst others:

- (a) the novelty and untested nature of China Connect makes China ETFs riskier than traditional ETFs investing directly in more developed markets. The policy and rules for the QFI regimes and China Connect prescribed by the Mainland China government are new and subject to change, and there may be uncertainty to its interpretation and/or implementation. The uncertainty and change of the laws and regulations in Mainland China may adversely impact on the performance of the China ETFs and the trading price of the relevant units or shares;
- (b) a China ETF primarily invests in securities traded in the mainland Chinese securities markets and is subject to concentration risk. Investment in the mainland Chinese securities markets (which are inherently stock markets with restricted access) involves certain risks and special considerations as compared with investment in more developed economies or markets, such as greater political, tax, economic, foreign exchange, liquidity and regulatory risks. The operation of a China ETF may also be affected by interventions by the applicable government(s) and regulators in the financial markets;
- (c) trading of securities invested by a China ETF under China Connect will be subject to a daily quota which is utilised on a first-come- first-serve basis under the China Connect. In the event that the daily quota under China Connect is reached, the manager may need to suspend creation of further units or shares of such China ETF, and therefore may affect liquidity in unit or share trading of such China ETF. In such event, the trading price of a unit or share of such China ETF is likely to be at a significant premium to its net asset value, and may be highly volatile. The People's Bank of China and the State Administration



of Foreign Exchange have jointly published the detailed implementation rules removing the investment quota under the QFI regimes with effect from 6 June 2020; and

- (d) there are risks and uncertainties associated with the current mainland Chinese tax laws applicable to a China ETF investing in mainland China through the QFI regimes and/or China Connect. Although such China ETF may have made a tax provision in respect of potential tax liability, the provision may be excessive or inadequate. Any shortfall between the provisions and actual tax liabilities may be covered by the assets of such China ETF and may therefore adversely affect the net asset value of such China ETF and the market value and/or potential payout of our structured products.

The above risks may have a significant impact on the performance of the China ETF and hence the market price of Structured Products linked to such China ETF.

Please read the offering documents of the China ETF to understand its key features and risks.

Real estate investment trust ("REIT")

Where the Underlying Asset comprises the units of a REIT, you should note that the investment objective of a REIT is to invest in a real estate portfolio. Each REIT is exposed to risks relating to investments in real estate, including but not limited to (a) adverse changes in political or economic conditions; (b) changes in interest rates and the availability of debt or equity financing, which may result in an inability by the REIT to maintain or improve the real estate portfolio and finance future acquisitions; (c) changes in environmental, zoning and other governmental rules; (d) changes in market rents; (e) any required repair and maintenance of the portfolio properties; (f) breach of any property laws or regulations; (g) the relative illiquidity of real estate investment; (h) real estate taxes; (i) any hidden interests in the portfolio properties; (j) any increase in insurance premiums and (k) any uninsurable losses.

There may also be disparity between the market price of the units of a REIT and the net asset value per unit. This is because the market price of the units of a REIT also depends on many factors, including but not limited to (a) the market value

and perceived prospects of the real estate portfolio; (b) changes in economic or market conditions; (c) changes in market valuations of similar companies; (d) changes in interest rates; (e) the perceived attractiveness of the units of the REIT against those of other equity securities; (f) the future size and liquidity of the market for the units and the REIT market generally; (g) any future changes to the regulatory system, including the tax system and (h) the ability of the REIT to implement its investment and growth strategies and to retain its key personnel.

The above risks may have a significant impact on the performance of the relevant units and the price of the Structured Products.

Commodity market risk

Where the Underlying Asset comprises the units or shares of an ETF whose value relates directly to the value of a commodity, you should note that fluctuations in the price of the commodity could materially adversely affect the value of the underlying units or shares. Commodity market is generally subject to greater risks than other markets. The price of a commodity is highly volatile. Price movement of a commodity is influenced by, among other things, interest rates, changing market supply and demand relationships, trade, fiscal, monetary and exchange control programmes and policies of governments, and international political and economic events and policies.

Risk relating to CBBCs

Correlation between the price of a CBBC and the price/level of the Underlying Asset

When the Underlying Asset of a CBBC is trading at a price/level close to its Call Price/Call Level, the price of that CBBC tends to be more volatile and any change in the value of that CBBC at such time may be incomparable and disproportionate to the change in the price/level of the Underlying Asset.

You may lose your entire investment when a Mandatory Call Event occurs

Unlike warrants, CBBCs have a mandatory call feature and trading in the CBBCs will be suspended when the Spot Level/Spot Price reaches the Call Level/Call Price (subject to the circumstances in which a Mandatory Call Event



will be reversed as set out below). No investor can sell the CBBCs after the occurrence of a Mandatory Call Event. Even if the level/price of the Underlying Asset bounces back in the right direction, the CBBCs which have been terminated as a result of the Mandatory Call Event will not be revived and investors will not be able to profit from the bounce-back. Investors may receive a Residual Value after the occurrence of a Mandatory Call Event but such amount may be zero.

Mandatory Call Event is irrevocable except in limited circumstances

A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:

- (a) system malfunction or other technical errors of HKEX (such as the setting up of wrong Call Price/Call Level and other parameters), and such event is reported by the Stock Exchange to us and we and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked; or
- (b) manifest errors caused by the relevant third party price source where applicable (such as miscalculation of the index level by the relevant index compiler), and such event is reported by us to the Stock Exchange and we and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked,

in each case, such mutual agreement must be reached between the Stock Exchange and us no later than such time as prescribed in the relevant Launch Announcement and Supplemental Listing Document. Upon revocation of the Mandatory Call Event, trading of the CBBCs will resume and any trade cancelled after such Mandatory Call Event will be reinstated.

Non-recognition of Post MCE Trades

The Stock Exchange and its recognised exchange controller, HKEX, shall not incur any liability (whether based on contract, tort (including, without limitation, negligence), or any other legal or equitable grounds and without regard to the circumstances giving rise to any purported claim except in the case of willful misconduct on the part of the Stock Exchange and/or HKEX) for any direct, consequential, special, indirect, economic,

punitive, exemplary or any other loss or damage suffered or incurred by us or any other party arising from or in connection with the Mandatory Call Event or the suspension of trading ("Trading Suspension") or the non-recognition of trades after a Mandatory Call Event ("Non-Recognition of Post MCE Trades"), including without limitation, any delay, failure, mistake or error in the Trading Suspension or Non-Recognition of Post MCE Trades.

We and our affiliates shall not have any responsibility towards you for any losses suffered as a result of the Trading Suspension and/or Non-Recognition of Post MCE Trades in connection with the occurrence of a Mandatory Call Event, notwithstanding that such Trading Suspension or Non-Recognition of Post MCE Trades may have occurred as a result of an error in the observation of the event.

Residual Value will not include residual funding cost

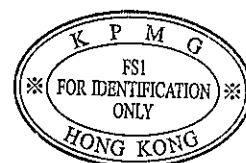
For Category R CBBCs, the Residual Value (if any) payable by us following the occurrence of a Mandatory Call Event will not include the residual funding cost for the CBBCs. You will not receive any residual funding cost back from us upon early termination of a Category R CBBC following the occurrence of a Mandatory Call Event.

Delay in announcements of a Mandatory Call Event

The Stock Exchange will notify the market as soon as practicable after the CBBC has been called. You must however be aware that there may be delay in the announcements of a Mandatory Call Event due to technical errors or system failures and other factors that are beyond our control or the control of the Stock Exchange.

Our hedging activities may adversely affect the price/level of the Underlying Asset

We and/or any of our affiliates may carry out activities that minimise our risks related to the CBBCs, including effecting transactions for our own account or for the account of our customers and hold long or short positions in the Underlying Asset whether for risk reduction purposes or otherwise. In addition, in connection with the offering of any CBBCs, we and/or any of our affiliates may enter into one or more hedging



transactions with respect to the Underlying Asset. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by us and/or any of our affiliates, we and/or any of our affiliates may enter into transactions in the Underlying Asset which may affect the market price, liquidity or price/level of the Underlying Asset and/or the value of CBBCs and which could be deemed to be adverse to your interests. We and/or our affiliates are likely to modify our hedging positions throughout the life of the CBBCs whether by effecting transactions in the Underlying Asset or in derivatives linked to the Underlying Asset. Further, it is possible that the advisory services which we and/or our affiliates provide in the ordinary course of our business could lead to an adverse impact on the value of the Underlying Asset.

Unwinding of hedging arrangements

The trading and/or hedging activities of us or our affiliates related to CBBCs and/or other financial instruments issued by us from time to time may have an impact on the price/level of the Underlying Asset and may trigger a Mandatory Call Event. In particular, when the Underlying Asset is trading close to the Call Price/Call Level, our unwinding activities may cause a fall or rise (as the case may be) in the trading price/level of the Underlying Asset, leading to a Mandatory Call Event as a result of such unwinding activities.

In respect of Category N CBBCs, we or our affiliates may unwind any hedging transactions entered into by us in relation to the CBBCs at any time even if such unwinding activities may trigger a Mandatory Call Event.

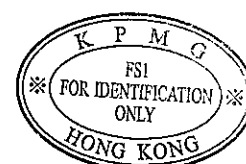
In respect of Category R CBBCs, before the occurrence of a Mandatory Call Event, we or our affiliates may unwind our hedging transactions relating to the CBBCs in proportion to the amount of the CBBCs we repurchase from time to time. Upon the occurrence of a Mandatory Call Event, we or our affiliates may unwind any hedging transactions in relation to the CBBCs. Such unwinding activities after the occurrence of a Mandatory Call Event may affect the trading price/ level of the Underlying Asset and consequently the Residual Value for the CBBCs.

Risks relating to the legal form of the Structured Products

Each series of Structured Products will be represented by a global certificate registered in the name of HKSCC Nominees Limited (or such other nominee company as may be used by HKSCC from time to time in relation to the provision of nominee services to persons admitted for the time being by HKSCC as a participant of CCASS).

Structured Products issued in global registered form held on your behalf within a clearing system effectively means evidence of your title and efficiency of ultimate delivery of the Cash Settlement Amount will be subject to the CCASS Rules. Amongst the risks, you should note that:

- (a) you will not receive any definitive certificates where the Structured Products are to remain in the name of HKSCC Nominees Limited for their entire life;
- (b) any register that is maintained by us or on our behalf, while available for inspection by you, will not be capable of registering any interests other than that of the legal title owner, in other words, it will record at all times that the Structured Products are being held by HKSCC Nominees Limited;
- (c) you will have to rely solely upon your brokers/custodians and the statements you receive from such party as evidence of your interests in the investment;
- (d) notices or announcements will be published on the HKEX website and/or released by HKSCC to its participants via CCASS. You will need to check the HKEX website regularly and/or rely on your brokers/custodians to obtain such notices/announcements; and
- (e) our obligations under the Conditions will be duly performed by the payment of the Cash Settlement Amount to HKSCC Nominees Limited as the registered holder of the Structured Products, all in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.



United States federal tax may be withheld from payments with respect to Structured Products that are treated as "dividend equivalents". This may have an adverse effect on the value and liquidity of the Structured Products

A "dividend equivalent" payment generally is treated as a dividend from sources within the U.S. and such payments generally would be subject to a 30 percent (or a lower rate if an income tax treaty applies) U.S. federal withholding tax if paid to a Non-U.S. Holder (as defined in "United States Taxation"). Under U.S. Treasury regulations issued pursuant to Section 871(m) of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), payments (including deemed payments) that are contingent upon or determined by reference to actual or estimated U.S. source dividends with respect to certain equity-linked instruments (including U.S. equity securities, indices containing U.S. equity securities and other financial transactions that reference the value of one or more U.S. equity securities), may be treated as "dividend equivalents". If we determine that withholding is required with respect to the Structured Products, we (or an applicable withholding agent) would be entitled to withhold taxes at the applicable rate without being required to pay any additional amounts with respect to amounts so withheld. As a result, payments on the Structured Products may be substantially less than the amounts specified in their terms.

Payments made by us to certain holders with respect to the Structured Products may be subject to U.S. federal withholding tax under the United States Foreign Account Tax Compliance Act.

The Foreign Account Tax Compliance Act of the United States ("FATCA") generally imposes a 30 percent U.S. federal withholding tax on certain United States source payments, including interest (and original issue discount), dividends (and "dividend equivalent" payments), or other fixed or determinable annual or periodical gain, profits, and income, and on the gross proceeds from a disposition of property of a type which can produce United States source interest or dividends ("Withholdable Payments"), if paid to a foreign financial institution (including amounts paid to a foreign financial institution on behalf of an account holder), unless such institution enters into an agreement with the U.S. Treasury Department to collect and provide to the U.S.

Treasury Department substantial information regarding United States account holders (including certain account holders that are foreign entities with United States owners) with such institution, or such institution otherwise complies with its obligations under FATCA. A Structured Product may constitute an account for these purposes. FATCA also generally imposes a withholding tax of 30 percent on Withholdable Payments made to a non-financial foreign entity unless such entity provides the withholding agent with a certification that it does not have any substantial United States owners or a certification identifying the direct and indirect substantial United States owners of the entity, or otherwise establishes an exemption.

In addition, under FATCA, "foreign passthru payments" (regardless of whether such payments have any direct connection to Withholdable Payments) made by a foreign financial institution to "recalcitrant account holders" or non-compliant foreign financial institutions are subject to a 30 percent U.S. federal withholding tax. A "recalcitrant account holder" generally is a holder of an account with a foreign financial institution that fails to comply with certain requests for information that will help enable the relevant foreign financial institution to comply with its obligations under FATCA (a Structured Product may constitute an account for these purposes).

If we determine that withholding is required with respect to the Structured Products, we (or an applicable withholding agent) would be entitled to withhold taxes at the applicable rate without being required to pay any additional amounts with respect to amounts so withheld. As a result, payments on the Structured Products may be substantially less than the amounts specified in their terms.

Effect of the combination of risk factors unpredictable

Two or more risk factors may simultaneously have an effect on the value of a series of Structured Products such that the effect of any individual risk factor may not be predictable. No assurances can be given as to the effect any combination of risk factors may have on the value of a series of Structured Products.



TAXATION

The comments below are of a general nature and are based on current law and practice in Hong Kong and the United States. They are not intended to provide guidance, and potential investors in Structured Products are strongly advised to consult their own tax advisors as to their respective tax positions on any sale, purchase, ownership, transfer, holding or exercise of any Structured Products and in particular the effect of any foreign, state or local tax laws to which potential investors are subject.

Hong Kong taxation

No tax is payable in Hong Kong by way of withholding or otherwise in respect of:

- (a) dividends of any company which has issued the underlying shares;
- (b) distributions of any fund which has issued the underlying units or shares; or
- (c) any capital gains arising on the sale of the underlying assets or Structured Products,

except that Hong Kong profits tax may be chargeable on any such gains in the case of certain persons carrying on a trade, profession or business in Hong Kong.

You do not need to pay any stamp duty in respect of purely cash settled Structured Products.

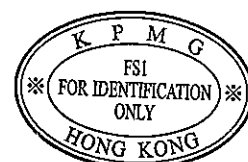
United States Taxation

Section 871(m)

Under Section 871(m) of the Code, a “dividend equivalent” payment (as described below) generally is treated as a dividend from sources within the United States and such payments generally would be subject to a 30 percent (or a lower rate if an applicable income tax treaty applies) United States federal withholding tax if paid to a Non-U.S. Holder (as defined below), regardless of whether the payor is a U.S. person. Under the U.S. Treasury regulations issued pursuant to Section 871(m) of the Code, payments (including deemed payments) that are contingent upon or determined by reference to actual or estimated U.S. source dividends with respect to certain equity-linked instruments (including U.S. equity securities, indices containing U.S. equity securities and other financial transactions that reference the value of one or more U.S. equity securities), may be treated as “dividend equivalents”. The equity-linked instrument subject to Section 871(m) of the Code includes (i) a “simple” financial instrument that has a delta of 0.8 or greater with respect to an underlying U.S. stock or a U.S. stock component of an underlying index or basket and (ii) a “complex” financial instrument that meets the “substantial equivalence” test with respect to an underlying U.S. stock or a U.S. stock component of an underlying index or basket. However, the U.S. Internal Revenue Service has issued guidance providing that the U.S. Treasury Department and the U.S. Internal Revenue Service intend to amend the effective dates of the U.S. Treasury regulations to provide that withholding on dividend equivalent payments will not apply to certain equity-linked instruments that are not delta-one instruments and that are issued before January 1, 2025.

The regulations and administrative guidance on Section 871(m) are extremely complex. You are urged to consult your own tax advisor regarding the United States federal withholding tax considerations arising from your investment in the Structured Products.

The Launch Announcement and Supplemental Listing Documents may indicate if we have determined that the particular Structured Product is expected to be subject to withholding under Section 871(m). If we determine that any payments made on the Structured Products are treated as “dividend equivalents” subject to withholding, we (or an applicable withholding agent) would be entitled to withhold taxes without being required to pay any additional amounts with respect to the amounts so withheld. As a result, payments on the Structured Products may be substantially less than the amounts specified in their terms.



The Foreign Account Tax Compliance Act

FATCA (Sections 1471 through 1474 of the Code) generally imposes a 30 percent United States federal withholding tax on certain U.S. source payments, including interest (and original issue discount), dividends (and “dividend equivalent” payments), or other fixed or determinable annual or periodical gain, profits, and income, and on the gross proceeds from a disposition of property of a type which can produce United States source interest or dividends (“**Withholdable Payments**”), if paid to a foreign financial institution (including amounts paid to a foreign financial institution on behalf of an account holder), unless such institution enters into an agreement with the U.S. Treasury Department to collect and provide to the U.S. Treasury Department substantial information regarding United States account holders (including certain account holders that are foreign entities with United States owners) with such institution, or such institution otherwise complies with its obligations under FATCA. A Structured Product may constitute an account for these purposes. FATCA also generally imposes a withholding tax of 30 percent on Withholdable Payments made to a non-financial foreign entity unless such entity provides the withholding agent with a certification that it does not have any substantial United States owners or a certification identifying the direct and indirect substantial United States owners of the entity, or otherwise establishes an exemption.

In addition, under FATCA, “foreign passthru payments” (regardless of whether such payments have any direct connection to Withholdable Payments) made by a foreign financial institution to “recalcitrant account holders” or non-compliant foreign financial institutions are subject to a 30 percent United States federal withholding tax. A “recalcitrant account holder” generally is a holder of an account with a foreign financial institution that fails to comply with certain requests for information that will help enable the relevant foreign financial institution to comply with its obligations under FATCA (a Structured Product may constitute an account for these purposes).

However, under the current United States Treasury regulations and related guidance, the FATCA withholding tax on “foreign passthru payments” with respect to the Structured Products does not apply to the Structured Products that are issued on or before (and are not materially modified after) the Grandfather Date (as defined below). For these purposes, the “Grandfather Date” is the date that is six months after the date on which final regulations defining the term “foreign passthru payment” are filed with the U.S. Federal Register. As of the date of this Base Listing Document, no final regulation defining the term “foreign passthru payment” has been filed with the U.S. Federal Register.

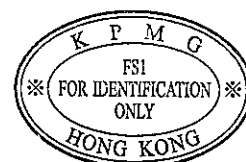
The proposed regulations would eliminate FATCA withholding tax on “gross proceeds” and delay the withholding on “foreign passthru payment” until the date that is two years after the date of publication in the Federal Register of final regulations defining the term “foreign passthru payment”. Taxpayers generally may rely on the proposed regulations until the final regulations are issued. No such final regulations have been issued as of the date hereof. There is no assurance, however, that the final regulations, once issued, will not reinstate this withholding obligation (or otherwise modify the Proposed Regulations), possibly with retroactive effect.

The Launch Announcement and Supplemental Listing Documents may indicate if we have determined that the particular Structured Product is expected to be subject to withholding under FATCA. If we determine that any payments made on the Structured Products are subject to such withholding, we (or an applicable withholding agent) would be entitled to withhold taxes without being required to pay any additional amounts with respect to amounts so withheld. As a result, payments on the Structured Products may be substantially less than the amounts specified in their terms.



Foreign financial institutions and non-financial foreign entities located in a jurisdiction that has an intergovernmental agreement with the United States governing FATCA may be subject to different rules. You are urged to consult with your own tax advisors regarding the possible implications of FATCA on your investment in the Structured Products, including the possibility of meeting certain documentation requirements to be exempt from FATCA withholding tax.

The above summary only applies to you if you are a Non-U.S. Holder. You are a Non-U.S. Holder unless you are: (1) an individual citizen or resident of the United States; (2) a corporation that is formed or organized under the laws of the United States, any state thereof or the District of Columbia, or any entity that is taxable as a corporation so formed or organized, (3) an estate that is subject to U.S. federal income taxation regardless of its source, or (4) a trust that is subject to the jurisdiction of a U.S. court and for which one or more "United States persons" (as defined in the Code) control all of the substantial decisions, or has otherwise made an appropriate election under U.S. tax regulations. If you are an investor treated as a partnership for U.S. federal income tax purposes, FATCA withholding tax may apply to you and your beneficial owners based on your and your beneficial owners' activities and status and you should consult your own tax advisor regarding any FATCA withholding tax consideration arising from your investment in the Structured Products.



APPENDIX 1

GENERAL CONDITIONS OF STRUCTURED PRODUCTS

These General Conditions relate to each series of Structured Products and must be read in conjunction with, and are subject to, the relevant Product Conditions set out in Appendix 2 and Appendix 3 to this Base Listing Document and the supplemental terms and conditions contained in the Launch Announcement and Supplemental Listing Document in relation to the particular series of Structured Products. These General Conditions and the relevant Product Conditions together constitute the Conditions of the relevant Structured Products, and will be endorsed on the Global Certificate representing the relevant Structured Products. The Launch Announcement and Supplemental Listing Document in relation to the issue of any series of Structured Products may specify additional terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these General Conditions and the relevant Product Conditions, replace or modify these General Conditions and the relevant Product Conditions for the purpose of such series of Structured Products.

1. Definitions

“Base Listing Document” means the base listing document relating to Structured Products dated 27 November 2023 and issued by the Issuer (including any addenda to such base listing document issued by the Issuer from time to time);

“Board Lot” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Business Day” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

“CCASS” means the Central Clearing and Settlement System established and operated by the HKSCC;

“CCASS Rules” means the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time;

“CCASS Settlement Day” has the meaning ascribed to the term “Settlement Day” in the CCASS Rules in effect from time to time, subject to such modification and amendment prescribed by HKSCC from time to time;

“Conditions” means, in respect of a particular series of Structured Products, these General Conditions and the applicable Product Conditions;

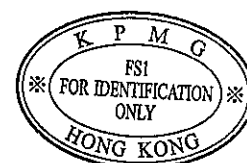
“Designated Bank Account” means the relevant bank account designated by each Holder;

“Exercise Expenses” means, in respect of each series of Structured Products, any charges or expenses (including any taxes or duties) which are incurred in respect of the exercise of a Board Lot of Structured Products;

“Expiry Date” means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“General Conditions” means these general terms and conditions. These General Conditions apply to each series of Structured Products;

“Global Certificate” means, in respect of the relevant Structured Products, a global certificate registered in the name of the Nominee;



“HKSCC” means Hong Kong Securities Clearing Company Limited;

“Holder” means, in respect of each series of Structured Products, each person who is for the time being shown in the Register as the holder of the Structured Products, and such person shall be treated by the Issuer as the absolute owner and holder of the Structured Products;

“Hong Kong” means the Hong Kong Special Administrative Region of the People’s Republic of China;

“Index” means the index specified as such in the relevant Launch Announcement and Supplemental Listing Document in respect of each series of Structured Products;

“Instrument” means an instrument dated 21 September 2023 (as amended, supplemented or replaced from time to time) executed by the Issuer by way of deed poll pursuant to which the Issuer creates and grants to the Holders certain rights in relation to the Structured Products;

“Issuer” means Korea Investment & Securities Asia Limited;

“Launch Announcement and Supplemental Listing Document” means the launch announcement and supplemental listing document relating to a particular series of Structured Products;

“Listing Date” means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document and on which dealing of the Structured Products on the Stock Exchange commences;

“Nominee” means HKSCC Nominees Limited (or such other nominee company as may be used by HKSCC from time to time in relation to the provision of nominee services to persons admitted for the time being by HKSCC as a participant of CCASS);

“Product Conditions” means, in respect of each series of Structured Products, the product specific terms and conditions that apply to that particular series of Structured Products;

“Register” means, in respect of each series of Structured Products, the register of the Holders of such series of Structured Products kept by the Issuer in Hong Kong;

“Settlement Currency” means the currency specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Settlement Disruption Event” means an event which is beyond the control of the Issuer and as a result of which, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date;

“Share” means the share specified as such in the relevant Launch Announcement and Supplemental Listing Document in respect of each series of Structured Products;

“Stock Exchange” means The Stock Exchange of Hong Kong Limited; and

“Structured Products” means standard warrants (“Warrants”), callable bull/bear contracts (“CBBs”) or such other structured products to be issued by the Issuer from time to time. References to “Structured Products” are to be construed as references to a particular series of Structured Products and, unless the context otherwise requires, any further Structured Products issued pursuant to General Condition 8.



Other capitalised terms will, unless otherwise defined, have the meanings given to them in the Base Listing Document, the relevant Product Conditions, the relevant Launch Announcement and Supplemental Listing Document and/or the Global Certificate.

2. Form, Status, Transfer and Additional Costs and Expenses

2.1 Form

The Structured Products are issued in registered form subject to and with the benefit of the Instrument. The Holders are entitled to the benefit of, are bound by, and are deemed to have notice of all the provisions of the Instrument. A copy of the Instrument is available for inspection at the offices of the Issuer.

The Structured Products are represented by a Global Certificate. No definitive certificate will be issued. The Structured Products can only be exercised by the Nominee.

2.2 Status of the Issuer's obligations

The settlement obligation of the Issuer in respect of the Structured Products represents general unsecured contractual obligations of the Issuer and of no other person which rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated contractual obligations of the Issuer, except for obligations accorded preference by mandatory provisions of applicable law.

Structured Products represent general contractual obligations of the Issuer, and are not, nor is it the intention (expressed, implicit or otherwise) of the Issuer to create by the issue of Structured Products deposit liabilities of the Issuer or a debt obligation of any kind.

2.3 Transfer of Structured Products

Transfers of Structured Products may be effected only in Board Lots or integral multiples thereof in CCASS in accordance with the CCASS Rules.

2.4 Additional Costs and Expenses

Holders shall be responsible for additional costs and expenses in connection with any exercise of the Structured Products including the Exercise Expenses which amount shall, subject to the General Condition 3.2 and to the extent necessary, be payable to the Issuer and collected from the Holders.

3. Rights and Exercise Expenses relating to the Structured Products

3.1 Entitlement of Holders

Every Board Lot initially entitles the Holders, upon due exercise or early expiration (as the case may be) and upon compliance with these General Conditions and the applicable Product Conditions, the rights to receive payment of the Cash Settlement Amount, if any.

3.2 Holders responsible for Exercise Expenses

Upon exercise or early expiration of a particular series of Structured Products, the Holders of such series will be required to pay a sum equal to all the expenses resulting from the exercise or early expiration of such Structured Products. To effect such payment an amount equivalent to the Exercise Expenses shall be deducted from the Cash Settlement Amount in accordance with the applicable Product Conditions.



4. Purchase

The Issuer may at any time purchase Structured Products at any price in the open market or by tender or by private treaty. Any Structured Products so purchased may be held or resold or surrendered for cancellation.

5. Global Certificate

A Global Certificate representing the Structured Products will be deposited with CCASS in the name of the Nominee. No definitive certificate will be issued.

6. Meetings of Holders and Modification

6.1 Meetings of Holders

The Instrument contains provisions for convening meetings of the Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Instrument) of a modification of the provisions of the Structured Products or of the Instrument.

Any resolution to be passed in a meeting of the Holders shall be decided by poll. A meeting may be convened by the Issuer or by Holders holding not less than 10 per cent. of the Structured Products for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Structured Products for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Holders whatever the number of Structured Products so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Holders who, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Holders shall be binding on all Holders, whether or not they are present at the meeting.

Resolutions can be passed in writing without a meeting of the Holders being held if passed unanimously.

6.2 Modification

The Issuer may, without the consent of the Holders, effect any modification of the terms and conditions of the Structured Products or the Instrument which, in the opinion of the Issuer, is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holders or the tax or other consequences of such modification in any particular jurisdiction);
- (b) of a formal, minor or technical nature;
- (c) made to correct a manifest error; or
- (d) necessary in order to comply with mandatory provisions of the laws or regulations of Hong Kong.

Any such modification shall be binding on the Holders and shall be notified to them by the Issuer as soon as practicable thereafter in accordance with General Condition 7.



7. Notices

All notices to the Holders will be validly given if published in English and in Chinese on the website of Hong Kong Exchanges and Clearing Limited. The Issuer shall not be required to despatch copies of the notice to the Holders.

8. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Holders, to create and issue further structured products so as to form a single series with the Structured Products.

9. Good Faith and Commercially Reasonable Manner

Any exercise of discretion by the Issuer under the Conditions will be made in good faith and in a commercially reasonable manner.

10. Governing Law

The Structured Products and the Instrument are governed by and construed in accordance with the laws of Hong Kong. The Issuer and each Holder (by its purchase of the Structured Products) submit for all purposes in connection with the Structured Products and the Instrument to the non-exclusive jurisdiction of the courts of Hong Kong.

11. Language

In the event of any inconsistency between the Chinese translation and the English version of these Conditions, the English version of these Conditions prevails.

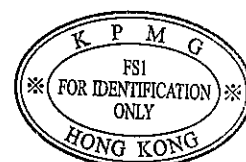
12. Prescription

Claims against the Issuer for payment of any amount in respect of the relevant Structured Products will become void unless made within ten years of the Expiry Date or the end of the MCE Valuation Period (as the case may be) and thereafter, any sums payable in respect of such Structured Products shall be forfeited and shall revert to the Issuer.

13. Illegality or Impracticability

The Issuer is entitled to terminate the Structured Products if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

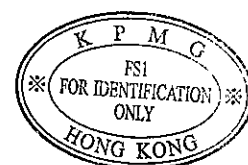
- (a) for it to perform its obligations under the Structured Products in whole or in part as a result of:
 - (i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or
 - (ii) the promulgation of, or any change in, the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law),(each of (i) and (ii), a “Change in Law Event”); or
- (b) for it or any of its affiliates to maintain the Issuer’s hedging arrangements with respect to the Structured Products due to a Change in Law Event.



Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Holder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each Structured Products held by such Holder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Holder in such manner as shall be notified to the Holder in accordance with General Condition 7.

14. Contracts (Rights of Third Parties) Ordinance

A person who is not a party to the Conditions has no right under the Contracts (Rights of Third Parties) Ordinance (Cap. 623 of the Laws of Hong Kong) to enforce or to enjoy the benefit of any term of the Structured Products.



APPENDIX 2

PRODUCT CONDITIONS OF WARRANTS

The following pages set out the Product Conditions in respect of different types of Warrants.

	Page
PART A — PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER SINGLE EQUITIES	31
PART B — PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER INDEX	39
PART C — PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER EXCHANGE TRADED FUNDS	44



PART A

PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER SINGLE EQUITIES

These Product Conditions will, together with the General Conditions and the supplemental terms and conditions contained in the relevant Launch Announcement and Supplemental Listing Document, and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of Warrants.

1. Definitions

For the purposes of these Product Conditions:

“Average Price” means the arithmetic mean of the closing prices of one Share (as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustments to such closing prices as may be necessary to reflect any event as contemplated in Product Condition 3 such as capitalisation, rights issue, distribution or the like) in respect of each Valuation Date;

“Cash Settlement Amount” means, in respect of every Board Lot, an amount payable in the Settlement Currency calculated by the Issuer in accordance with the following formula:

(a) In the case of a series of call Warrants:

$$\begin{array}{lcl} \text{Cash Settlement} & & \\ \text{Amount per} & = & \frac{\text{Entitlement} \times (\text{Average Price} - \text{Exercise Price}) \times \text{one Board Lot}}{\text{Number of Warrant(s) per Entitlement}} \\ \text{Board Lot} & & \end{array}$$

(b) In the case of a series of put Warrants:

$$\begin{array}{lcl} \text{Cash Settlement} & & \\ \text{Amount per} & = & \frac{\text{Entitlement} \times (\text{Exercise Price} - \text{Average Price}) \times \text{one Board Lot}}{\text{Number of Warrant(s) per Entitlement}} \\ \text{Board Lot} & & \end{array}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“Company” means the company specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Entitlement” means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“Exercise Price” means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;



“General Conditions” means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

“Market Disruption Event” means:

- (a) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in:
 - (i) the Shares; or
 - (ii) any options or futures contracts relating to the Shares if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;
- (b) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm signal on any day which either:
 - (i) results in the Stock Exchange being closed for trading for the entire day; or
 - (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session),

PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been issued; or

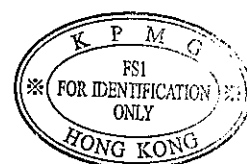
- (c) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“Product Conditions” means these product terms and conditions. These Product Conditions apply to each series of cash settled Warrants over single equities;

“Settlement Date” means the third CCASS Settlement Day after the later of: (i) the Expiry Date; and (ii) the day on which the Average Price is determined in accordance with the Conditions;

“Share” means the share specified as such in the relevant Launch Announcement and Supplemental Listing Document; and

“Valuation Date” means each of the five Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on any Valuation Date, then that Valuation Date shall be postponed until the first succeeding Business Day on which there is no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a Business Day that is already or is deemed to be a Valuation Date.



For the avoidance of doubt, in the event that a Market Disruption Event has occurred and a Valuation Date is postponed as aforesaid, the closing price of the Shares on the first succeeding Business Day will be used more than once in determining the Average Price, so that in no event shall there be less than five closing prices used to determine the Average Price. If the postponement of the Valuation Date as aforesaid would result in the Valuation Date falling on or after the Expiry Date, then:

- (i) the Business Day immediately preceding the Expiry Date (the “**Last Valuation Date**”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and
- (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of the price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

Trading in Warrants on the Stock Exchange shall cease prior to the Expiry Date in accordance with the requirements of the Stock Exchange.

Other capitalised terms shall, unless otherwise defined herein, have the meaning ascribed to them in the Base Listing Document, the General Conditions, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

2. Exercise of Warrants

2.1 Exercise of warrants in Board Lots

The Warrants may only be exercised in Board Lots or integral multiples thereof.

2.2 Automatic exercise

The Warrants will be deemed to be automatically exercised on the Expiry Date (without notice given to the Holders) if the Issuer determines that the Cash Settlement Amount is positive. The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount. Any Warrant which has not been automatically exercised in accordance with this Product Condition 2.2 shall expire immediately without value thereafter and all rights of the Holder and obligations of the Issuer with respect to such Warrant shall cease.

2.3 Exercise Expenses

Any Exercise Expenses which are not determined by the Issuer on the Expiry Date and deducted from the Cash Settlement Amount prior to delivery to the Holders in accordance with this Product Condition 2, shall be notified by the Issuer to the Holders as soon as practicable after determination thereof and shall be paid by the Holders to the Issuer immediately upon demand.

2.4 Record in the Register

Upon automatic exercise of the Warrants on the Expiry Date of the Warrants in accordance with the Conditions, or in the event the Warrants have expired worthless, the Issuer will, with effect from the first Business Day following the Expiry Date, remove the names of each Holder from the Register in respect of the number of relevant Warrants which are the subject of the automatic exercise or the number of relevant Warrants which have expired worthless, as the case may be, and thereby cancel the relevant Warrants and the Global Certificate.



2.5 Cash Settlement

Upon the automatic exercise of Warrants in accordance with the Conditions, the Issuer will pay the Cash Settlement Amount minus the determined Exercise Expenses to the relevant Holder. If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable by the Issuer.

The Cash Settlement Amount minus the determined Exercise Expenses shall be despatched no later than the Settlement Date, by crediting that amount, in accordance with the CCASS Rules, to the Designated Bank Account.

Upon the occurrence of a Settlement Disruption Event, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of a Settlement Disruption Event.

The Issuer's obligations to pay the Cash Settlement Amount shall be discharged by payment in accordance with this Product Condition 2.5.

3. Adjustments

3.1 Rights Issues

If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a "**Rights Offer**"), the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement ("**Rights Issue Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

$$\text{Adjustment Component} = \frac{1 + M}{1 + (R/S) \times M}$$

E: Existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Share price being the closing price of an existing Share as derived from the daily quotation sheet of the Stock Exchange on the last Business Day on which the Shares are traded on a Cum-Rights basis

R: Subscription price per new Share specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Rights

M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe,

provided that if the above formula would result in an adjustment to the Entitlement which would amount to one per cent. or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be



rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Exercise Price shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

“**Rights**” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

3.2 Bonus Issues

If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement (“**Bonus Issue Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

$$\text{Adjustment Component} = \frac{1}{1 + N}$$

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of Shares for each Share held prior to the Bonus Issue,

provided that if the above formula would result in an adjustment to the Entitlement which would amount to one per cent. or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Exercise Price shall take effect on the Bonus Issue Adjustment Date.

3.3 Subdivisions and Consolidations

If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “**Subdivision**”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “**Consolidation**”), then:

- (a) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and



- (b) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) takes effect.

3.4 Restructuring Events

If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a **"Restructuring Event"**) (as determined by the Issuer in its absolute discretion) so that the Warrants shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (**"Substituted Securities"**) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event, and thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected. For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Shares shall include any such cash.

3.5 Cash Distribution

No adjustment will be made for an ordinary cash dividend (whether or not it is offered with a scrip alternative) (**"Ordinary Dividend"**). For any other forms of cash distribution (**"Cash Distribution"**) announced by the Company, such as a cash bonus, special dividend or extraordinary dividend, no adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Share's closing price as derived from the daily quotation sheet of the Stock Exchange on the day of announcement by the Company.

If and whenever the Company shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement in respect of the relevant Cash Distribution (**"Cash Distribution Adjustment Date"**) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

$$\text{Adjustment Component} = \frac{S - OD}{S - OD - CD}$$



- E: The existing Entitlement immediately prior to the Cash Distribution
- S: The closing price of the Share as derived from the daily quotation sheet of the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date
- CD: The amount of Cash Distribution per Share
- OD: The amount of Ordinary Dividend per Share, provided that the Ordinary Dividend and the Cash Distribution shall have the same ex-entitlement date. For the avoidance of doubt, the OD shall be deemed to be zero if the ex-entitlement dates of the relevant Ordinary Dividend and Cash Distribution are different

In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Exercise Price shall take effect on the Cash Distribution Adjustment Date.

3.6 Other Adjustments

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Warrants as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

3.7 Notice of Determinations

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with General Condition 7.

4. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose. In the case of voluntary liquidation, the unexercised Warrants will lapse and shall cease to be valid on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.



5. Delisting

5.1 *Adjustments following delisting*

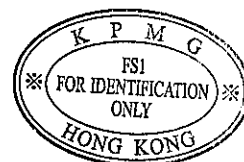
If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Product Conditions in such manner and make such adjustments and amendments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the circumstances of any individual Holder or the tax or other consequences that may result in any particular jurisdiction).

5.2 *Listing on another exchange*

Without prejudice to the generality of Product Condition 5.1, where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Product Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of the Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

5.3 *Adjustments binding*

The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with General Condition 7 as soon as practicable after they are determined.



PART B

PRODUCT CONDITIONS OF CASH SETTLED WARRANTS OVER INDEX

These Product Conditions will, together with the General Conditions and the supplemental terms and conditions contained in the relevant Launch Announcement and Supplemental Listing Document, and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of Warrants.

1. Definitions

For the purposes of these Product Conditions:

“Cash Settlement Amount” means, in respect of every Board Lot, an amount calculated by the Issuer in accordance with the following formula (and, if appropriate, either (I) converted (if applicable) into the Settlement Currency at the Exchange Rate or, as the case may be, (II) converted into the Interim Currency at the First Exchange Rate and then (if applicable) converted into Settlement Currency at the Second Exchange Rate):

(a) In the case of a series of Call Warrants:

$$\begin{array}{lcl} \text{Cash Settlement} & & \\ \text{Amount per} & = & \frac{(\text{Closing Level} - \text{Strike Level}) \times \text{Index Currency Amount} \times \text{one Board Lot}}{\text{Divisor}} \\ \text{Board Lot} & & \end{array}$$

(b) In the case of a series of Put Warrants:

$$\begin{array}{lcl} \text{Cash Settlement} & & \\ \text{Amount per} & = & \frac{(\text{Strike Level} - \text{Closing Level}) \times \text{Index Currency Amount} \times \text{one Board Lot}}{\text{Divisor}} \\ \text{Board Lot} & & \end{array}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“Closing Level” means the level specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

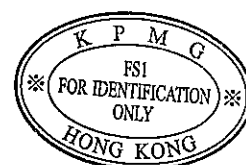
“Divisor” means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Exchange Rate” means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“First Exchange Rate” means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“General Conditions” means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

“Index” means the index specified as such in the relevant Launch Announcement and Supplemental Listing Document;



"Index Business Day" means a day on which the Index Exchange is scheduled to open for trading for its regular trading sessions;

"Index Compiler" means the index compiler specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"Index Currency Amount" has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

"Index Exchange" means the index stock exchange specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"Interim Currency" means the currency specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"Market Disruption Event" means:

- (a) the occurrence or existence, on the Valuation Date during the one-half hour period that ends at the close of trading on the Index Exchange, of any of:
 - (i) the suspension or material limitation of the trading of a material number of constituent securities that comprise the Index;
 - (ii) the suspension or material limitation of the trading of options or futures contracts relating to the Index on any exchanges on which such contracts are traded; or
 - (iii) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount.

For the purposes of this definition:

- (1) the limitation of the number of hours or days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of any relevant exchange; and
 - (2) a limitation on trading imposed by reason of the movements in price exceeding the levels permitted by any relevant exchange will constitute a Market Disruption Event; or
- (b) where the Index Exchange is the Stock Exchange, the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a "BLACK" rainstorm signal on any day which either:
 - (i) results in the Stock Exchange being closed for trading for the entire day; or
 - (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session),

PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the "BLACK" rainstorm signal having been issued;



- (c) a limitation or closure of the Index Exchange due to any unforeseen circumstances; or
- (d) any circumstances beyond the control of the Issuer in which the Closing Level or, if applicable, the Exchange Rate, the First Exchange Rate or the Second Exchange Rate (as the case may be) cannot be determined by the Issuer in the manner set out in these Conditions or in such other manner as the Issuer considers appropriate at such time after taking into account all the relevant circumstances;

“Product Conditions” means these product terms and conditions. These Product Conditions apply to each series of cash settled warrants over an index;

“Second Exchange Rate” means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Settlement Date” means the third CCASS Settlement Day after the later of: (i) the Expiry Date; and (ii) the day on which the Closing Level is determined in accordance with the Conditions;

“Strike Level” means the level specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Successor Index Compiler” means a successor to the Index Compiler acceptable to the Issuer; and

“Valuation Date” means the date specified in the relevant Launch Announcement and Supplemental Listing Document, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on the Valuation Date, then the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that the Issuer, if applicable, may, but shall not be obliged to, determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated. Trading in Warrants on the Stock Exchange shall cease prior to the Expiry Date in accordance with the requirements of the Stock Exchange.

Other capitalised terms shall, unless otherwise defined herein, have the meaning ascribed to them in the Base Listing Document, the General Conditions, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

2. Exercise of Warrants

2.1 Exercise of warrants in Board Lots

The Warrants may only be exercised in Board Lots or integral multiples thereof.

2.2 Automatic exercise

The Warrants will be deemed to be automatically exercised on the Expiry Date (without notice given to the Holders) if the Issuer determines that the Cash Settlement Amount is positive. The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount. Any Warrant which has not been automatically exercised in accordance with this Product Condition 2.2 shall expire immediately without value thereafter and all rights of the Holder and obligations of the Issuer with respect to such Warrant shall cease.



2.3 Exercise Expenses

Any Exercise Expenses which are not determined by the Issuer on the Expiry Date and deducted from the Cash Settlement Amount prior to delivery to the Holders in accordance with this Product Condition 2, shall be notified by the Issuer to the Holders as soon as practicable after determination thereof and shall be paid by the Holders to the Issuer immediately upon demand.

2.4 Record in the Register

Upon automatic exercise of the Warrants on the Expiry Date of the Warrants in accordance with the Conditions, or in the event the Warrants have expired worthless, the Issuer will, with effect from the first Business Day following the Expiry Date, remove the names of each Holder from the Register in respect of the number of relevant Warrants which are the subject of the automatic exercise or the number of relevant Warrants which have expired worthless, as the case may be, and thereby cancel the relevant Warrants and the Global Certificate.

2.5 Cash Settlement

Upon the automatic exercise of Warrants in accordance with the Conditions, the Issuer will pay the Cash Settlement Amount minus the determined Exercise Expenses to the relevant Holder. If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable by the Issuer.

The Cash Settlement Amount minus the determined Exercise Expenses shall be despatched no later than the Settlement Date, by crediting that amount, in accordance with the CCASS Rules, to the Designated Bank Account.

Upon the occurrence of a Settlement Disruption Event, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of a Settlement Disruption Event.

The Issuer's obligations to pay the Cash Settlement Amount shall be discharged by payment in accordance with this Product Condition 2.5.

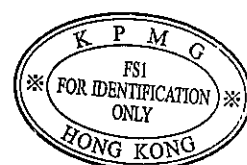
3. Adjustments to the Index

3.1 Successor Index Compiler Calculates and Reports Index

If the Index is:

- (a) not calculated and announced by the Index Compiler but is calculated and published by a Successor Index Compiler; or
- (b) replaced by a successor index using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index,

then the Index will be deemed to be the index so calculated and announced by the Successor Index Compiler or that successor index, as the case may be.



3.2 Modification and Cessation of Calculation of Index

If:

- (a) on or prior to the Valuation Date, the Index Compiler or (if applicable) the Successor Index Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent securities and other routine events); or
- (b) on the Valuation Date, the Index Compiler or (if applicable) the Successor Index Compiler fails to calculate and publish the Index (other than as a result of a Market Disruption Event),

then the Issuer shall determine the Closing Level using, in lieu of the published level for the Index, the level for the Index as of the Valuation Date as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those securities that comprised the Index immediately prior to that change or failure (other than those securities that have since ceased to be listed on the relevant exchange).

3.3 Other Adjustments

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Warrants as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

3.4 Notice of Determinations

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with General Condition 7.



PART C
PRODUCT CONDITIONS OF CASH SETTLED WARRANTS
OVER EXCHANGE TRADED FUNDS

These Product Conditions will, together with the General Conditions and supplemental terms and conditions contained in the relevant Launch Announcement and Supplemental Listing Document, and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of Warrants may specify additional terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of Warrants.

1. Definitions

For the purposes of these Product Conditions:

“Average Price” shall be the arithmetic mean of the closing prices of one Unit (as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustments to such closing prices as may be necessary to reflect any event as contemplated in Product Condition 3 such as capitalisation, rights issue, distribution or the like) in respect of each Valuation Date;

“Cash Settlement Amount” means, in respect of every Board Lot, an amount payable in the Settlement Currency calculated by the Issuer in accordance with the following formula:

(a) In the case of a series of call Warrants:

$$\begin{array}{lcl} \text{Cash Settlement} & & \text{Entitlement} \times (\text{Average Price} - \text{Exercise Price}) \times \text{one Board Lot} \\ \text{Amount per} & = & \\ \text{Board Lot} & & \text{Number of Warrant(s) per Entitlement} \end{array}$$

(b) In the case of a series of put Warrants:

$$\begin{array}{lcl} \text{Cash Settlement} & & \text{Entitlement} \times (\text{Exercise Price} - \text{Average Price}) \times \text{one Board Lot} \\ \text{Amount per} & = & \\ \text{Board Lot} & & \text{Number of Warrant(s) per Entitlement} \end{array}$$

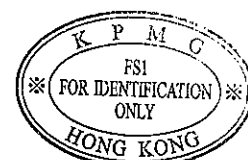
For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“Entitlement” means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“Exercise Price” means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“Fund” means the exchange traded fund specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“General Conditions” means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;



“Market Disruption Event” means:

- (a) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in:
 - (i) the Units; or
 - (ii) any options or futures contracts relating to the Units if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;
- (b) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm signal on any day which either:
 - (i) results in the Stock Exchange being closed for trading for the entire day; or
 - (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session),

PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been issued; or

- (c) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“Product Conditions” means these product terms and conditions. These Product Conditions apply to each series of cash settled Warrants over exchange traded funds;

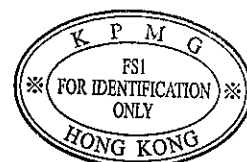
“Settlement Date” means the third CCASS Settlement Day after later of: (i) the Expiry Date; and (ii) the day on which the Average Price is determined in accordance with the Conditions;

“Unit” means the share or unit of the Fund specified as such in the relevant Launch Announcement and Supplemental Listing Document; and

“Valuation Date” means each of the five Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on any Valuation Date, then that Valuation Date shall be postponed until the first succeeding Business Day on which there is no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a Business Day that is already or is deemed to be a Valuation Date. For the avoidance of doubt, in the event that a Market Disruption Event has occurred and a Valuation Date is postponed as aforesaid, the closing price of the Units on the first succeeding Business Day will be used more than once in determining the Average Price, so that in no event shall there be less than five closing prices used to determine the Average Price.

If the postponement of the Valuation Date as aforesaid would result in the Valuation Date falling on or after the Expiry Date, then:

- (i) the Business Day immediately preceding the Expiry Date (the **“Last Valuation Date”**) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and



- (ii) the Issuer shall determine the closing price of the Units on the basis of its good faith estimate of the price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

Trading in Warrants on the Stock Exchange shall cease prior to the Expiry Date in accordance with the requirements of the Stock Exchange.

Other capitalised terms shall, unless otherwise defined herein, have the meaning ascribed to them in the Base Listing Document, the General Conditions, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

2. Exercise of Warrants

2.1 Exercise of warrants in Board Lots

The Warrants may only be exercised in Board Lots or integral multiples thereof.

2.2 Automatic exercise

The Warrants will be deemed to be automatically exercised on the Expiry Date (without notice given to the Holders) if the Issuer determines that the Cash Settlement Amount is positive. The Holders will not be required to deliver any exercise notice and the Issuer or its agent will pay to the Holders the Cash Settlement Amount. Any Warrant which has not been automatically exercised in accordance with this Product Condition 2.2 shall expire immediately without value thereafter and all rights of the Holder and obligations of the Issuer with respect to such Warrant shall cease.

2.3 Exercise Expenses

Any Exercise Expenses which are not determined by the Issuer on the Expiry Date and deducted from the Cash Settlement Amount prior to delivery to the Holders in accordance with this Product Condition 2, shall be notified by the Issuer to the Holders as soon as practicable after determination thereof and shall be paid by the Holders to the Issuer immediately upon demand.

2.4 Record in the Register

Upon automatic exercise of the Warrants on the Expiry Date of the Warrants in accordance with the Conditions, or in the event the Warrants have expired worthless, the Issuer will, with effect from the first Business Day following the Expiry Date, remove the names of each Holder from the Register in respect of the number of relevant Warrants which are the subject of the automatic exercise or the number of relevant Warrants which have expired worthless, as the case may be, and thereby cancel the relevant Warrants and the Global Certificate.

2.5 Cash Settlement

Upon the automatic exercise of Warrants in accordance with the Conditions the Issuer will pay the Cash Settlement Amount minus the determined Exercise Expenses to the relevant Holder. If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable by the Issuer. The Cash Settlement Amount minus the determined Exercise Expenses shall be despatched no later than the Settlement Date, by crediting that amount, in accordance with the CCASS Rules, to the Designated Bank Account.



Upon the occurrence of a Settlement Disruption Event, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of a Settlement Disruption Event.

The Issuer's obligations to pay the Cash Settlement Amount shall be discharged by payment in accordance with this Product Condition 2.5.

3. Adjustments

3.1 Rights Issues

If and whenever the Fund shall, by way of Rights (as defined below), offer new Units for subscription at a fixed subscription price to the holders of existing Units pro rata to existing holdings (a "**Rights Offer**"), the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement ("**Rights Issue Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

$$\text{Adjustment Component} = \frac{1 + M}{1 + (R/S) \times M}$$

E: Existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Unit price being the closing price of an existing Unit as derived from the daily quotation sheet of the Stock Exchange on the last Business Day on which the Units are traded on a Cum-Rights basis

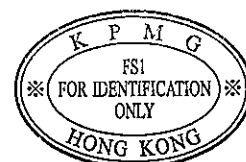
R: Subscription price per new Unit specified in the Rights Offer plus an amount equal to any distributions or other benefits foregone to exercise the Rights

M: Number of new Unit(s) (whether a whole or a fraction) per existing Unit each holder thereof is entitled to subscribe,

provided that if the above formula would result in an adjustment to the Entitlement which would amount to one per cent. or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Exercise Price shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

"**Rights**" means the right(s) attached to each existing Unit or needed to acquire one new Unit (as the case may be) which are given to the holders of existing Units to subscribe at a fixed subscription price for new Units pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).



3.2 Bonus Issues

If and whenever the Fund shall make an issue of Units credited as fully paid to the holders of Units generally (other than pursuant to a scrip distribution or similar scheme for the time being operated by the Fund or otherwise in lieu of a cash distribution and without any payment or other consideration being made or given by such holders) (a "**Bonus Issue**"), the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement ("**Bonus Issue Adjustment Date**") in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

$$\text{Adjustment Component} = 1 + N$$

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Units (whether a whole or a fraction) received by a holder of Units for each Units held prior to the Bonus Issue,

provided that if the above formula would result in an adjustment to the Entitlement which would amount to one per cent. or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Exercise Price shall take effect on the Bonus Issue Adjustment Date.

3.3 Subdivisions and Consolidations

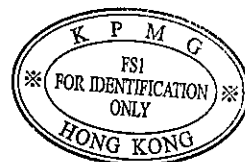
If and whenever the Fund shall subdivide its Units or any class of its outstanding Units into a greater number of units or shares (a "**Subdivision**") or consolidate the Units or any class of its outstanding Units into a smaller number of units or shares (a "**Consolidation**"), then:

- (a) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and
- (b) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) takes effect.

3.4 Restructuring Events

If it is announced that the Fund is to or may merge or consolidate with or into any other fund or corporation (including becoming, by agreement or otherwise, controlled by any person or corporation) (except where the Fund is the surviving entity in a merger) or that it is to, or may, sell or transfer all or substantially all of its assets, the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a "**Restructuring Event**") (as determined by the Issuer in its absolute discretion) so that the Warrants shall, after such Restructuring Event, relate to the number of units or shares of the fund(s) or corporation(s)



resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Units, as the case may be, to which the holder of such number of Units to which the Warrants related immediately before such Restructuring Event would have been entitled upon such Restructuring Event, and thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected. For the avoidance of doubt, any remaining Units shall not be affected by this paragraph and, where cash is offered in substitution for Units or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Units shall include any such cash.

3.5 Cash Distribution

No adjustment will be made for an ordinary cash distribution (whether or not it is offered with a scrip alternative) (“**Ordinary Distribution**”). For any other forms of cash distribution (“**Cash Distribution**”) announced by the Fund, such as a cash bonus, special distribution or extraordinary distribution, no adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Unit’s closing price as derived from the daily quotation sheet of the Stock Exchange on the day of announcement by the Fund.

If and whenever the Fund shall make a Cash Distribution credited as fully paid to the holders of Units generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement in respect of the relevant Cash Distribution (“**Cash Distribution Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

$$\text{Adjustment Component} = \frac{S - OD}{S - OD - CD}$$

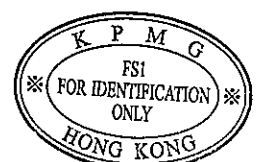
E: The existing Entitlement immediately prior to the Cash Distribution

S: The closing price of the Unit as derived from the daily quotation sheet of the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The amount of Cash Distribution per Unit

OD: The amount of Ordinary Distribution per Unit, provided that the Ordinary Distribution and the Cash Distribution shall have the same ex-entitlement date. For the avoidance of doubt, the OD shall be zero if the ex-entitlement dates of the relevant Ordinary Distribution and Cash Distribution are different

In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Exercise Price shall take effect on the Cash Distribution Adjustment Date.



3.6 Other Adjustments

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Warrants as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

3.7 Notice of Determinations

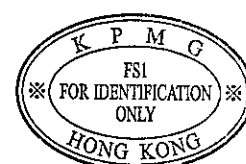
All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment and of the date from which such adjustment is effective by publication in accordance with General Condition 7.

4. Termination or Liquidation

In the event of a Termination or the liquidation or dissolution of the Fund or, if applicable, the trustee of the Fund (including any successor trustee appointed from time to time) ("**Trustee**") (in its capacity as trustee of the Fund) or the appointment of a liquidator, receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of the Fund's or the Trustee's (as the case may be) undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose. In the case of a Termination, the unexercised Warrants will lapse and shall cease to be valid on the effective date of the Termination, in the case of a voluntary liquidation, the unexercised Warrants will lapse and shall cease to be valid on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, the unexercised Warrants will lapse and shall cease to be valid on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of such Fund's or Trustee's (as the case may be) undertaking, property or assets, the unexercised Warrants will lapse and shall cease to be valid on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

For the purpose of this Product Condition 4, "**Termination**" means:

- (a) the Fund is terminated or required to be terminated for whatever reason, or the termination of the Fund commences;
- (b) where applicable, the Fund is held or is conceded by the Trustee or the manager of the Fund (including any successor manager appointed from time to time) not to have been constituted or to have been imperfectly constituted;



- (c) where applicable, the Trustee ceases to be authorised under the Fund to hold the property of the Fund in its name and perform its obligations under the trust deed constituting the Fund; or
- (d) the Fund ceases to be authorised as an authorised collective investment scheme under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

5. Delisting

5.1 Adjustments following delisting

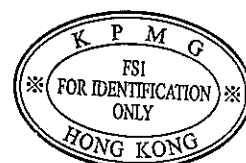
If at any time the Units cease to be listed on the Stock Exchange, the Issuer shall give effect to these Product Conditions in such manner and make such adjustments and amendments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the circumstances of any individual Holder or the tax or other consequences that may result in any particular jurisdiction).

5.2 Listing on another exchange

Without prejudice to the generality of Product Condition 5.1, where the Units are, or, upon the delisting, become, listed on any other stock exchange, these Product Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of the Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

5.3 Adjustment binding

The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with General Condition 7 as soon as practicable after they are determined.



APPENDIX 3

PRODUCT CONDITIONS OF CBBCS

The following pages set out the Product Conditions in respect of different types of CBBCs.

	Page
PART A — PRODUCT CONDITIONS OF CASH SETTLED CALLABLE BULL/BEAR CONTRACTS OVER SINGLE EQUITIES	53
PART B — PRODUCT CONDITIONS OF CASH SETTLED CALLABLE BULL/BEAR CONTRACTS OVER AN INDEX.	64
PART C — PRODUCT CONDITIONS OF CASH SETTLED CALLABLE BULL/BEAR CONTRACTS OVER EXCHANGE TRADED FUNDS	72



PART A
PRODUCT CONDITIONS OF CASH SETTLED CALLABLE BULL/BEAR
CONTRACTS OVER SINGLE EQUITIES

These Product Conditions will, together with the General Conditions and the supplemental terms and conditions contained in the relevant Launch Announcement and Supplemental Listing Document, and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of CBBCs may specify additional terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of CBBCs.

1. Definitions

For the purposes of these Product Conditions:

“Call Price” means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“Cash Settlement Amount” means, in respect of every Board Lot, an amount payable in the Settlement Currency calculated by the Issuer in accordance with the following formula:

(a) following a Mandatory Call Event:

(i) in the case of a series of Category R CBBCs, the Residual Value; or

(ii) in the case of a series of Category N CBBCs, zero; and

(b) at expiry:

(i) in the case of a series of bull CBBCs:

$$\begin{array}{lcl} \text{Cash Settlement} & & \\ \text{Amount per} & = & \frac{\text{Entitlement} \times (\text{Closing Price} - \text{Strike Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}} \\ \text{Board Lot} & & \end{array}$$

(ii) in the case of a series of bear CBBCs:

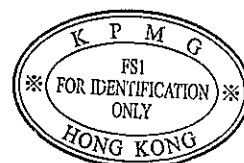
$$\begin{array}{lcl} \text{Cash Settlement} & & \\ \text{Amount per} & = & \frac{\text{Entitlement} \times (\text{Strike Price} - \text{Closing Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}} \\ \text{Board Lot} & & \end{array}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“Category N CBBCs” means a series of CBBCs where the Call Price is equal to the Strike Price;

“Category R CBBCs” means a series of CBBCs where the Call Price is different from the Strike Price;

“Closing Price” means the closing price of one Share (as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustments to such closing price as may be necessary to reflect any event as contemplated in Product Condition 3 such as capitalisation, rights issue, distribution or the like) as of the Valuation Date;



“Company” means the company specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Entitlement” means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“General Conditions” means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

“Mandatory Call Event” occurs if the Spot Price is:

- (a) in the case of a series of bull CBBCs, at or below the Call Price; or
- (b) in the case of a series of bear CBBCs, at or above the Call Price,

at any time during a Trading Day in the Observation Period;

“Market Disruption Event” means:

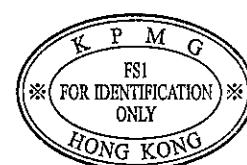
- (a) the occurrence or existence on any Trading Day during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in:
 - (i) the Shares; or
 - (ii) any options or futures contracts relating to the Shares if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;
- (b) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm on any day which either:
 - (i) results in the Stock Exchange being closed for trading for the entire day; or
 - (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session),

PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal have been issued; or

- (c) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“Maximum Trade Price” means the highest Spot Price of the Shares (subject to any adjustments to such spot prices as may be necessary to reflect any event as contemplated in Product Condition 3 such as capitalisation, rights issue, distribution or the like) during the MCE Valuation Period;

“MCE Valuation Period” means the period commencing from and including the moment upon which the Mandatory Call Event occurs (the trading session on the Stock Exchange during which the Mandatory Call Event occurs is the “1st Session”) and up to the end of the trading session on the Stock Exchange immediately following the 1st Session (“2nd Session”) unless, in the



determination of the Issuer in its good faith, the 2nd Session for any reason (including, without limitation, a Market Disruption Event occurring and subsisting in the 2nd Session) does not contain any continuous period of 1 hour or more than 1 hour during which trading in the Shares is permitted on the Stock Exchange with no limitation imposed, the MCE Valuation Period shall be extended to the end of the subsequent trading session following the 2nd Session during which trading in the Shares is permitted on the Stock Exchange with no limitation imposed for a continuous period of at least 1 hour notwithstanding the existence or continuance of a Market Disruption Event in such postponed trading session, unless the Issuer determines in its good faith that each trading session on each of the four Trading Days immediately following the date on which the Mandatory Call Event occurs does not contain any continuous period of 1 hour or more than 1 hour during which trading in the Shares is permitted on the Stock Exchange with no limitation imposed. In that case:

- (a) the period commencing from the 1st Session up to, and including, the last trading session on the Stock Exchange of the fourth Trading Day immediately following the date on which the Mandatory Call Event occurs shall be deemed to be the MCE Valuation Period; and
- (b) the Issuer shall determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) having regard to the then prevailing market conditions, the last reported Spot Price and such other factors as the Issuer may determine to be relevant in its good faith.

For the avoidance of doubt, all Spot Prices available throughout the extended MCE Valuation Period shall be taken into account to determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) for the calculation of the Residual Value.

For the purposes of this definition,

- (i) the pre-opening session, the morning session and, in the case of half day trading, the closing auction session (if applicable) of the same day; and
- (ii) the afternoon session and the closing auction session (if applicable) of the same day,

shall each be considered as one trading session only;

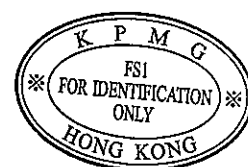
“Minimum Trade Price” means the lowest Spot Price of the Shares (subject to any adjustments to such Spot Prices as may be necessary to reflect any event as contemplated in Product Condition 3 such as capitalisation, rights issue, distribution or the like) during the MCE Valuation Period;

“Observation Commencement Date” means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Observation Period” means the period commencing from and including the Observation Commencement Date up to and including the close of trading (Hong Kong time) on the Trading Day immediately preceding the Expiry Date;

“Post MCE Trades” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to such modification and amendment prescribed by the Stock Exchange from time to time;

“Product Conditions” means these product terms and conditions. These Product Conditions apply to each series of cash settled CBBCs over single equities;



“Residual Value” means, in respect of every Board Lot, an amount calculated by the Issuer in accordance with the following formula:

- (a) in the case of a series of bull CBBCs:

$$\text{Residual Value per Board Lot} = \frac{\text{Entitlement} \times (\text{Minimum Trade Price} - \text{Strike Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

- (b) in the case of a series of bear CBBCs:

$$\text{Residual Value per Board Lot} = \frac{\text{Entitlement} \times (\text{Strike Price} - \text{Maximum Trade Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

“Settlement Date” means the third CCASS Settlement Day after (i) the end of the MCE Valuation Period or (ii) the later of: (a) the Expiry Date; and (b) the day on which the Closing Price is determined in accordance with the Conditions (as the case may be);

“Share” means the share specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Spot Price” means:

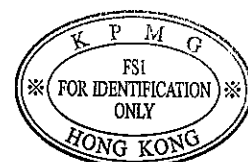
- (a) in respect of a continuous trading session of the Stock Exchange, the price per Share concluded by means of automatic order matching on the Stock Exchange as reported in the official real-time dissemination mechanism for the Stock Exchange during such continuous trading session in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules); and
- (b) in respect of a pre-opening session or a closing auction session (if applicable) of the Stock Exchange (as the case may be), the final Indicative Equilibrium Price (as defined in the Trading Rules) of the Share (if any) calculated at the end of the pre-order matching period of such pre-opening session or closing auction session (if applicable), as the case may be, in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules),

subject to such modification and amendment prescribed by the Stock Exchange from time to time.

“Strike Price” means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“Trading Day” means any day on which the Stock Exchange is scheduled to open for trading for its regular trading sessions;

“Trading Rules” means the Rules and Regulations of the Exchange prescribed by the Stock Exchange from time to time; and



“**Valuation Date**” means the Trading Day immediately preceding the Expiry Date provided if, in the determination of the Issuer, a Market Disruption Event has occurred on that day, the Valuation Date shall be postponed until the first succeeding Trading Day on which the Issuer determines that there is no Market Disruption Event, unless the Issuer determines that there is a Market Disruption Event occurring on each of the four Trading Days immediately following the original date which (but for the Market Disruption Event) would have been the Valuation Date. In that case:

- (a) the fourth Trading Day immediately following the original date shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and
- (b) the Issuer shall determine the Closing Price having regard to the then prevailing market conditions, the last reported trading price of the Share on the Stock Exchange and such other factors as the Issuer determines to be relevant.

2. Exercise of CBBCs

2.1 Exercise of CBBCs in Board Lots

CBBCs may only be exercised in Board Lots or integral multiples thereof.

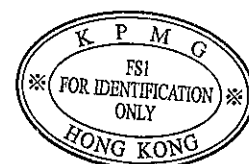
2.2 Automatic exercise

If no Mandatory Call Event has occurred during the Observation Period, the CBBCs will be deemed to be automatically exercised on the Expiry Date if the Cash Settlement Amount is positive. Any CBBC which has not been automatically exercised in accordance with this Product Condition 2.2 shall expire immediately without value thereafter and all rights of the Holder and obligations of the Issuer with respect to such CBBC shall cease.

2.3 Mandatory Call Event

- (a) Subject to Product Condition 2.3(b) below, following a Mandatory Call Event, the CBBCs will be terminated automatically and the Issuer shall have no further obligation under the CBBCs except for the payment of the Cash Settlement Amount (if any) on the relevant Settlement Date. The Issuer will notify the Holders of the occurrence of the Mandatory Call Event in accordance with General Condition 7. Trading in the CBBCs will be suspended immediately upon the occurrence of a Mandatory Call Event and any Post MCE Trades will be cancelled and will not be recognised by the Stock Exchange or the Issuer.
- (b) A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:
 - (i) system malfunction or other technical errors of Hong Kong Exchanges and Clearing Limited and such event is reported by the Stock Exchange to the Issuer and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked; or
 - (ii) manifest errors caused by the relevant third party where applicable and such event is reported by the Issuer to the Stock Exchange, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked;

in each case, such mutual agreement must be reached no later than 30 minutes before the commencement of trading (including the pre-opening session) (Hong Kong time) on the Trading Day of the Stock Exchange immediately following the day on which the Mandatory Call Event occurs, or such other time as prescribed by the Stock Exchange from time to time.



In both cases, the Mandatory Call Event so triggered will be reversed; and all cancelled trades (if any) will be reinstated and trading of the CBBCs will resume as soon as practicable in accordance with the rules and/or requirements prescribed by the Stock Exchange from time to time.

2.4 Entitlement

Every Board Lot of CBBCs entitles the Holder to receive from the Issuer on the Settlement Date the Cash Settlement Amount (if any).

2.5 Cancellation

Upon early expiration of the CBBCs at the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date, the Issuer will, with effect from the first Business Day following the MCE Valuation Period or the Expiry Date (as the case may be) remove the name of the Holder from the Register in respect of the number of CBBCs which have expired or exercised (as the case may be) and thereby cancel the relevant CBBCs and if applicable, the Global Certificate.

2.6 Exercise Expenses

Any Exercise Expenses which are not determined by the Issuer by the end of the MCE Valuation Period or the Expiry Date (as the case may be) and deducted from the Cash Settlement Amount prior to delivery to the Holder in accordance with this Product Condition 2, shall be notified by the Issuer to the Holder as soon as practicable after determination thereof and shall be paid by the Holder to the Issuer immediately upon demand.

2.7 Cash Settlement

Upon early termination of the CBBCs following the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date (as the case may be), the Issuer will, in respect of every Board Lot, pay the Cash Settlement Amount minus the determined Exercise Expenses to the relevant Holder. If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable.

The Cash Settlement Amount minus the determined Exercise Expenses shall be despatched no later than the Settlement Date by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event.

2.8 Responsibility of Issuer

The Issuer or its agents shall not have any responsibility for any errors or omissions in the calculation and dissemination of any variables published by a third party and used in any calculation made pursuant to these Conditions or in the calculation of the Cash Settlement Amount arising from such errors or omissions. The purchase of CBBCs does not confer on any Holder of such CBBCs any rights (whether in respect of voting, distributions or otherwise) in relation to the Shares.



2.9 Liability of Issuer

Exercise and settlement of the CBBCs is subject to all applicable laws, rules, regulations and guidelines in force at the relevant time and the Issuer shall not incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, rules, regulations or guidelines. The Issuer shall not under any circumstances be liable for any acts or defaults of the CCASS in relation to the performance of its duties in relation to the CBBCs.

2.10 Trading

Subject to Product Condition 2.3(b), trading in CBBCs on the Stock Exchange shall cease:

- (a) immediately upon the occurrence of a Mandatory Call Event; or
- (b) at the close of trading for the Trading Day immediately preceding the Expiry Date (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning session only, at the close of trading for the morning session),

whichever is the earlier.

3. Adjustments

3.1 Rights Issues

If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “Rights Offer”), the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement (“Rights Issue Adjustment Date”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

$$\text{Adjustment Component} = \frac{1 + M}{1 + (R/S) \times M}$$

- E: Existing Entitlement immediately prior to the Rights Offer
- S: Cum-Rights Share price being the closing price of an existing Share as derived from the daily quotation sheet of the Stock Exchange on the last Business Day on which the Shares are traded on a Cum-Rights basis
- R: Subscription price per new Share specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Rights
- M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe,



provided that if the above formula would result in an adjustment to the Entitlement which would amount to one per cent. or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Strike Price and the Call Price shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

“Rights” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

3.2 Bonus Issues

If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a **“Bonus Issue”**) the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement (**“Bonus Issue Adjustment Date”**) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

$$\text{Adjustment Component} = \frac{1}{1 + N}$$

E: Existing Entitlement immediately prior to the Bonus Issue

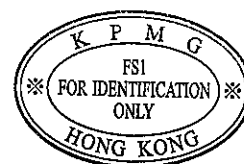
N: Number of additional Shares (whether a whole or a fraction) received by a holder of Shares for each Share held prior to the Bonus Issue,

provided that if the above formula would result in an adjustment to the Entitlement which would amount to one per cent. or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Strike Price and the Call Price shall take effect on the Bonus Issue Adjustment Date.

3.3 Subdivisions and Consolidations

If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a **“Subdivision”**) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a **“Consolidation”**), then:

- (a) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and



- (b) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) takes effect.

3.4 Restructuring Events

If it is announced that the Company is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of or controlled by any person or corporation) (except where the Company is the surviving corporation in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the CBBCs may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion) so that the CBBCs shall, after such Restructuring Event, relate to the number of shares of the corporation(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Shares, as the case may be, to which the holder of such number of Shares to which the CBBCs related immediately before such Restructuring Event would have been entitled upon such Restructuring Event and thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected. For the avoidance of doubt, any remaining Shares shall not be affected by this paragraph and, where cash is offered in substitution for Shares or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Shares shall include any such cash.

3.5 Cash Distribution

No adjustment will be made for an ordinary cash dividend (whether or not it is offered with a scrip alternative) (“**Ordinary Dividend**”). For any other forms of cash distribution (“**Cash Distribution**”) announced by the Company, such as a cash bonus, special dividend or extraordinary dividend, no adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Share’s closing price on the day of announcement by the Company.

If and whenever the Company shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement in respect of the relevant Cash Distribution (“**Cash Distribution Adjustment Date**”) in accordance with the following formula:

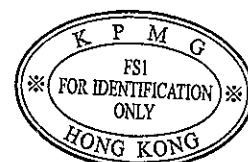
$$\text{Adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

$$\text{Adjustment Component} = \frac{S - OD}{S - OD - CD}$$

E: The existing Entitlement immediately prior to the Cash Distribution

S: The closing price of the existing Share as derived from the daily quotation sheet of the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date



CD: The amount of Cash Distribution per Share

OD: The amount of Ordinary Dividend per Share, provided that the Ordinary Dividend and the Cash Distribution shall have the same ex-entitlement date. For the avoidance of doubt, the OD shall be deemed to be zero if the ex-entitlement dates of the relevant Ordinary Dividend and Cash Distribution are different

In addition, the Issuer shall adjust the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Strike Price and the Call Price shall take effect on the Cash Distribution Adjustment Date.

3.6 Other Adjustments

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the CBBCs as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

3.7 Notice of Determinations

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with General Condition 7.

4. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator, receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised CBBCs will lapse and shall cease to be valid for any purpose. In the case of voluntary liquidation, the unexercised CBBCs will lapse and shall cease to be valid on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of the applicable law.



5. Delisting

5.1 *Adjustments following delisting*

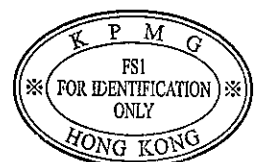
If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments and amendments to the rights attaching to the CBBCs as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the circumstances of any individual Holder or the tax or other consequences that may result in any particular jurisdiction).

5.2 *Listing on another exchange*

Without prejudice to the generality of Product Condition 5.1, where the Shares are, or, upon the delisting, become, listed on any other stock exchange, the Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of the Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

5.3 *Adjustments binding*

The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with General Condition 7 as soon as practicable after they are determined.



PART B
PRODUCT CONDITIONS OF CASH SETTLED CALLABLE BULL/BEAR
CONTRACTS OVER AN INDEX

These Product Conditions will, together with the General Conditions and the supplemental terms and conditions contained in the relevant Launch Announcement and Supplemental Listing Document and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of CBBCs may specify additional terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of CBBCs.

1. Definitions

For the purposes of these Product Conditions:

“Call Level” means the level specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“Cash Settlement Amount” means, in respect of every Board Lot, an amount calculated by the Issuer in accordance with the following formula (and, if appropriate, either (I) converted (if applicable) into the Settlement Currency at the Exchange Rate or, as the case may be, (II) converted into the Interim Currency at the First Exchange Rate and then (if applicable) converted into Settlement Currency at the Second Exchange Rate):

(a) following a Mandatory Call Event:

(i) in the case of a series of Category R CBBCs, the Residual Value; or

(ii) in the case of a series of Category N CBBCs, zero; and

(b) at expiry:

(i) in the case of a series of bull CBBCs:

$$\begin{array}{lcl} \text{Cash Settlement} & & \\ \text{Amount per} & = & \frac{(\text{Closing Level} - \text{Strike Level}) \times \text{Index Currency Amount} \times \text{one Board Lot}}{\text{Board Lot}} \\ \text{Board Lot} & & \text{Divisor} \end{array}$$

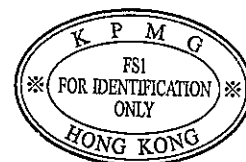
(ii) in the case of a series of bear CBBCs:

$$\begin{array}{lcl} \text{Cash Settlement} & & \\ \text{Amount per} & = & \frac{(\text{Strike Level} - \text{Closing Level}) \times \text{Index Currency Amount} \times \text{one Board Lot}}{\text{Board Lot}} \\ \text{Board Lot} & & \text{Divisor} \end{array}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“Category N CBBCs” means a series of CBBCs where the Call Level is equal to the Strike Level;

“Category R CBBCs” means a series of CBBCs where the Call Level is different from the Strike Level;



“Closing Level” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“Divisor” means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Exchange Rate” means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“First Exchange Rate” means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“General Conditions” means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

“Index” means the index specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Index Business Day” means a day on which the Index Exchange is scheduled to open for trading for its regular trading sessions;

“Index Compiler” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Index Currency Amount” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Index Exchange” means the index exchange specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Interim Currency” means the currency specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Mandatory Call Event” occurs if the Spot Level is:

- (a) in the case of a series of bull CBBCs, at or below the Call Level; or
- (b) in the case of a series of bear CBBCs, at or above the Call Level,

at any time during an Index Business Day in the Observation Period;

“Market Disruption Event” means:

- (a) the occurrence or existence, on any Trading Day or Index Business Day during the one-half hour period that ends at the close of trading on the Index Exchange, of any of:
 - (i) the suspension or material limitation of the trading of a material number of constituent securities that comprise the Index;
 - (ii) the suspension or material limitation of the trading of options or futures contracts relating to the Index on any exchanges on which such contract are traded; or
 - (iii) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount.



For the purposes of this definition:

- (1) the limitation of the number of hours or days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of any relevant exchange, and
 - (2) a limitation on trading imposed by reason of the movements in price exceeding the levels permitted by any relevant exchange will constitute a Market Disruption Event; or
- (b) where the Index Exchange is the Stock Exchange, the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a "BLACK" rainstorm signal on any day which either:
- (i) results in the Stock Exchange being closed for trading for the entire day; or
 - (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session),

PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the "BLACK" rainstorm signal have been issued;

- (c) a limitation or closure of the Index Exchange due to any unforeseen circumstances; or
- (d) any circumstances beyond the control of the Issuer in which the Closing Level or, if applicable, the Exchange Rate, the First Exchange Rate or the Second Exchange Rate (as the case may be) cannot be determined by the Issuer in the manner set out in these Conditions or in such other manner as the Issuer considers appropriate at such time after taking into account all the relevant circumstances;

"Maximum Index Level" means the highest Spot Level during the MCE Valuation Period;

"MCE Valuation Period" means the period commencing from and including the moment upon which the Mandatory Call Event occurs (the trading session on the Index Exchange during which the Mandatory Call Event occurs is the **"1st Session"**) and up to the end of the trading session on the Index Exchange immediately following the 1st Session (**"2nd Session"**) unless, in the determination of the Issuer in its good faith, the 2nd Session for any reason (including, without limitation, a Market Disruption Event occurring and subsisting in the 2nd Session) does not contain any continuous period of 1 hour or more than 1 hour during which the Spot Levels are available, the MCE Valuation Period shall be extended to the end of the subsequent trading session on the Index Exchange following the 2nd Session during which Spot Levels are available for a continuous period of at least 1 hour notwithstanding the existence or continuance of a Market Disruption Event in such postponed trading session, unless the Issuer determines in its good faith that each trading session on each of the four Index Business Days immediately following the date on which the Mandatory Call Event occurs does not contain any continuous period of 1 hour or more than 1 hour during which Spot Levels are available. In that case:

- (a) the period commencing from the 1st Session up to, and including, the last trading session of the fourth Index Business Day on the Index Exchange immediately following the date on which the Mandatory Call Event occurs shall be deemed to be the MCE Valuation Period; and



- (b) the Issuer shall determine the Maximum Index Level or the Minimum Index Level (as the case may be) having regard to the then prevailing market conditions, the last reported Spot Level of the Index and such other factors as the Issuer may determine to be relevant in its good faith.

For the avoidance of doubt, all Spot Levels available throughout the extended MCE Valuation Period shall be taken into account to determine the Maximum Index Level or the Minimum Index Level (as the case may be) for the calculation of the Residual Value.

For the purposes of this definition,

- (i) the pre-opening session, the morning session and, in the case of half day trading, the closing auction session (if applicable) of the same day; and

- (ii) the afternoon session and the closing auction session (if applicable) of the same day,

shall each be considered as one trading session only;

“Minimum Index Level” means the lowest Spot Level during the MCE Valuation Period;

“Observation Commencement Date” means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Observation Period” means the period commencing from and including the Observation Commencement Date up to and including the close of trading (Hong Kong time) on the Trading Day immediately preceding the Expiry Date;

“Post MCE Trades” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to such modification and amendment prescribed by the Stock Exchange from time to time;

“Price Source”, if applicable, has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Product Conditions” means these product terms and conditions. These Product Conditions apply to each series of cash settled CBBCs over an index;

“Residual Value” means, in respect of every Board Lot, an amount calculated by the Issuer in accordance with the following formula (and, if appropriate, either (I) converted (if applicable) into the Settlement Currency at the Exchange Rate or, as the case may be, (II) converted into the Interim Currency at the First Exchange Rate and then (if applicable) converted into Settlement Currency at the Second Exchange Rate):

- (a) In the case of a series of bull CBBCs:

$$\text{Residual Value per Board Lot} = \frac{(\text{Minimum Index Level} - \text{Strike Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$$

- (b) In the case of a series of bear CBBCs:

$$\text{Residual Value per Board Lot} = \frac{(\text{Strike Level} - \text{Maximum Index Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}$$



"Second Exchange Rate" means the rate specified as such in the relevant Launch Announcement and Supplemental Listing Document;

"Settlement Date" means the third CCASS Settlement Day after (i) the end of the MCE Valuation Period or (ii) the later of: (a) the Expiry Date; and (b) the day on which the Closing Level is determined in accordance with the Conditions (as the case may be);

"Spot Level" means:

- (a) if no Price Source is specified, the spot level of the Index as compiled and published by the Index Compiler; or
- (b) if a Price Source is specified, the spot level of the Index as published on the Price Source;

"Strike Level" means the level specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

"Trading Day" means any day on which the Stock Exchange is scheduled to open for trading for its regular trading sessions; and

"Valuation Date" means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document, provided that, if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on the Valuation Date, then the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event, provided that the Issuer, if applicable, may, but shall not be obliged to, determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

2. Exercise of CBBCs

2.1 Exercise of CBBCs in Board Lots

CBBCs may only be exercised in Board Lots or integral multiples thereof.

2.2 Automatic exercise

If no Mandatory Call Event has occurred during the Observation Period, the CBBCs will be deemed to be automatically exercised on the Expiry Date if the Cash Settlement Amount is positive. Any CBBC which has not been automatically exercised in accordance with this Product Condition 2.2 shall expire immediately without value thereafter and all rights of the Holder and obligations of the Issuer with respect to such CBBC shall cease.

2.3 Mandatory Call Event

- (a) Subject to Product Condition 2.3(b) below, following a Mandatory Call Event, the CBBCs will be terminated automatically and the Issuer shall have no further obligation under the CBBCs except for the payment of the Cash Settlement Amount (if any) on the relevant Settlement Date. The Issuer will notify the Holders of the occurrence of the Mandatory Call Event in accordance with General Condition 7. Trading in the CBBCs will be suspended immediately upon the occurrence of a Mandatory Call Event and any Post MCE Trades will be cancelled and will not be recognised by the Stock Exchange or the Issuer.



(b) A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:

- (i) system malfunction or other technical errors of Hong Kong Exchanges and Clearing Limited and such event is reported by the Stock Exchange to the Issuer and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked; or
- (ii) manifest errors caused by the relevant third party where applicable (such as miscalculation of the index level by the Index Compiler) and such event is reported by the Issuer to the Stock Exchange, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked;

in each case, such mutual agreement must be reached no later than 30 minutes before the commencement of trading (including the pre-opening session) (Hong Kong time) on the Trading Day of the Stock Exchange immediately following the day on which the Mandatory Call Event occurs, or such other time as prescribed by the Stock Exchange from time to time.

In both cases, the Mandatory Call Event so triggered will be reversed; and all cancelled trades (if any) will be reinstated and trading of the CBBCs will resume as soon as practicable in accordance with the rules and/or requirements prescribed by the Stock Exchange from time to time.

2.4 Entitlement

Every Board Lot of CBBCs entitles the Holder to receive from the Issuer on the Settlement Date the Cash Settlement Amount (if any).

2.5 Cancellation

Upon early expiration of the CBBCs at the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date, the Issuer will, with effect from the first Business Day following the MCE Valuation Period or the Expiry Date (as the case may be) remove the name of the Holder from the Register in respect of the number of CBBCs which have expired or exercised (as the case may be) and thereby cancel the relevant CBBCs and if applicable, the Global Certificate.

2.6 Exercise Expenses

Any Exercise Expenses which are not determined by the Issuer by the end of the MCE Valuation Period or the Expiry Date (as the case may be) and deducted from the Cash Settlement Amount prior to delivery to the Holder in accordance with this Product Condition 2, shall be notified by the Issuer to the Holder as soon as practicable after determination thereof and shall be paid by the Holder to the Issuer immediately upon demand.

2.7 Cash Settlement

Upon early termination of the CBBCs following the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date (as the case may be), the Issuer will, in respect of every Board Lot, pay the Cash Settlement Amount minus the determined Exercise Expenses to the relevant Holder. If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable.



The Cash Settlement Amount minus the determined Exercise Expenses shall be despatched no later than the Settlement Date by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event.

2.8 Responsibility of Issuer

The Issuer or its agents shall not have any responsibility for any errors or omissions in the calculation and dissemination of any variables published by a third party and used in any calculation made pursuant to these Conditions or in the calculation of the Cash Settlement Amount arising from such errors or omissions. The purchase of CBBCs does not confer on any Holder of such CBBCs any rights (whether in respect of voting, distributions or otherwise) in relation to the constituent securities comprising the Index.

2.9 Liability of Issuer

Exercise and settlement of the CBBCs is subject to all applicable laws, rules, regulations and guidelines in force at the relevant time and the Issuer shall not incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, rules, regulations or guidelines. The Issuer shall not under any circumstances be liable for any acts or defaults of the CCASS in relation to the performance of its duties in relation to the CBBCs.

2.10 Trading

Subject to Product Condition 2.3(b), trading in CBBCs on the Stock Exchange shall cease:

- (a) immediately upon the occurrence of a Mandatory Call Event; or
- (b) at the close of trading for the Trading Day immediately preceding the Expiry Date (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning session only, at the close of trading for the morning session),

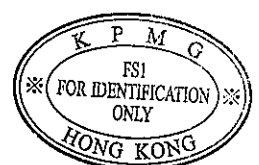
whichever is the earlier.

3. Adjustments

3.1 Successor Index Compiler Calculates and Reports Index

If the Index is:

- (a) not calculated and announced by the Index Compiler but is calculated and published by a successor to the Index Compiler (the "**Successor Index Compiler**") acceptable to the Issuer; or
- (b) replaced by a successor index using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index,



then the Index will be deemed to be the index so calculated and announced by the Successor Index Compiler or that successor index, as the case may be.

3.2 Modification and Cessation of Calculation of Index

If:

- (a) on or prior to the Valuation Date, the Index Compiler or (if applicable) the Successor Index Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent securities and other routine events); or
- (b) on the Valuation Date, the Index Compiler or (if applicable) the Successor Index Compiler fails to calculate and publish the Index (other than as a result of a Market Disruption Event),

then the Issuer shall determine the Closing Level using, in lieu of a published level for the Index, the level for the Index as of the Valuation Date as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those securities that comprised the Index immediately prior to that change or failure (other than those securities that have since ceased to be listed on the relevant exchange).

3.3 Other Adjustments

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the CBBCs as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

3.4 Notice of Determinations

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with General Condition 7.



PART C
PRODUCT CONDITIONS OF CASH SETTLED CALLABLE BULL/BEAR
CONTRACTS OVER EXCHANGE TRADED FUNDS

These Product Conditions will, together with the General Conditions and the supplemental terms and conditions contained in the relevant Launch Announcement and Supplemental Listing Document, and subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of CBBCs may specify additional terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Product Conditions, replace or modify these Product Conditions for the purpose of such series of CBBCs.

1. Definitions

For the purposes of these Product Conditions:

“Call Price” means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“Cash Settlement Amount” means, in respect of every Board Lot, an amount payable in the Settlement Currency calculated by the Issuer in accordance with the following formula:

(a) following a Mandatory Call Event:

(i) in the case of a series of Category R CBBCs, the Residual Value; or

(ii) in the case of a series of Category N CBBCs, zero; and

(b) at expiry:

(i) in the case of a series of bull CBBCs:

$$\begin{array}{lcl} \text{Cash Settlement} & & \text{Entitlement x (Closing Price - Strike Price) x one Board Lot} \\ \text{Amount per} & = & \\ \text{Board Lot} & & \text{Number of CBBC(s) per Entitlement} \end{array}$$

(ii) in the case of a series of bear CBBCs:

$$\begin{array}{lcl} \text{Cash Settlement} & & \text{Entitlement x (Strike Price - Closing Price) x one Board Lot} \\ \text{Amount per} & = & \\ \text{Board Lot} & & \text{Number of CBBC(s) per Entitlement} \end{array}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“Category N CBBCs” means a series of CBBCs where the Call Price is equal to the Strike Price;

“Category R CBBCs” means a series of CBBCs where the Call Price is different from the Strike Price;

“Closing Price” means the closing price of one Unit (as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustments to such closing price as may be necessary to reflect any event as contemplated in Product Condition 3 such as capitalisation, rights issue, distribution or the like) as of the Valuation Date;



“Entitlement” means the number specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“Fund” means the exchange traded fund specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“General Conditions” means the general terms and conditions of Structured Products set out in Appendix 1 of the Base Listing Document;

“Mandatory Call Event” occurs if the Spot Price is:

- (a) in the case of a series of bull CBBCs, at or below the Call Price; or
- (b) in the case of a series of bear CBBCs, at or above the Call Price,

at any time during any Trading Day in the Observation Period;

“Market Disruption Event” means:

- (a) the occurrence or existence on any Trading Day during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in:
 - (i) the Units; or
 - (ii) any options or futures contracts relating to the Units if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;
- (b) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm on any day which either:
 - (i) results in the Stock Exchange being closed for trading for the entire day; or
 - (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), PROVIDED THAT there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal have been issued; or
- (c) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“Maximum Trade Price” means the highest Spot Price of the Units (subject to any adjustments to such spot prices as may be necessary to reflect any event as contemplated in Product Condition 3 such as capitalisation, rights issue, distribution or the like) during the MCE Valuation Period;

“MCE Valuation Period” means the period commencing from and including the moment upon which the Mandatory Call Event occurs (the trading session on the Stock Exchange during which the Mandatory Call Event occurs is the “1st Session”) and up to the end of the trading session on the Stock Exchange immediately following the 1st Session (“2nd Session”) unless, in the determination of the Issuer in its good faith, the 2nd Session for any reason (including, without



limitation, a Market Disruption Event occurring and subsisting in the 2nd Session) does not contain any continuous period of 1 hour or more than 1 hour during which trading in the Units is permitted on the Stock Exchange with no limitation imposed, the MCE Valuation Period shall be extended to the end of the subsequent trading session following the 2nd Session during which trading in the Units is permitted on the Stock Exchange with no limitation imposed for a continuous period of at least 1 hour notwithstanding the existence or continuance of a Market Disruption Event in such postponed trading session, unless the Issuer determines in its good faith that each trading session on each of the four Trading Days immediately following the date on which the Mandatory Call Event occurs does not contain any continuous period of 1 hour or more than 1 hour during which trading in the Units is permitted on the Stock Exchange with no limitation imposed. In that case:

- (a) the period commencing from the 1st Session up to, and including, the last trading session on the Stock Exchange of the fourth Trading Day immediately following the date on which the Mandatory Call Event occurs shall be deemed to be the MCE Valuation Period; and
- (b) the Issuer shall determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) having regard to the then prevailing market conditions, the last reported Spot Price and such other factors as the Issuer may determine to be relevant in its good faith.

For the avoidance of doubt, all Spot Prices available throughout the extended MCE Valuation Period shall be taken into account to determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) for the calculation of the Residual Value.

For the purposes of this definition,

- (i) the pre-opening session, the morning session and, in the case of half day trading, the closing auction session (if applicable) of the same day; and
- (ii) the afternoon session and the closing auction session (if applicable) of the same day,

shall each be considered as one trading session only;

“Minimum Trade Price” means the lowest Spot Price of the Units (subject to any adjustments to such spot prices as may be necessary to reflect any event as contemplated in Product Condition 3 such as capitalisation, rights issue, distribution or the like) during the MCE Valuation Period;

“Observation Commencement Date” means the date specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Observation Period” means the period commencing from and including the Observation Commencement Date up to and including the close of trading (Hong Kong time) on the Trading Day immediately preceding the Expiry Date;

“Post MCE Trades” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to such modification and amendment prescribed by the Stock Exchange from time to time;

“Product Conditions” means these product terms and conditions. These Product Conditions apply to each series of cash settled CBBCs over exchange traded funds;



“Residual Value” means, in respect of every Board Lot, an amount calculated by the Issuer in accordance with the following formula:

- (a) in the case of a series of bull CBBCs:

$$\text{Residual Value per Board Lot} = \frac{\text{Entitlement} \times (\text{Minimum Trade Price} - \text{Strike Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

- (b) in the case of a series of bear CBBCs:

$$\text{Residual Value per Board Lot} = \frac{\text{Entitlement} \times (\text{Strike Price} - \text{Maximum Trade Price}) \times \text{one Board Lot}}{\text{Number of CBBC(s) per Entitlement}}$$

“Settlement Date” means the third CCASS Settlement Day after: (a) the end of the MCE Valuation Period; or (b) the later of: (i) the Expiry Date; and (ii) the day on which the Closing Price is determined in accordance with the Conditions (as the case may be);

“Spot Price” means:

- (a) in respect of a continuous trading session of the Stock Exchange, the price per Unit concluded by means of automatic order matching on the Stock Exchange as reported in the official real-time dissemination mechanism for the Stock Exchange during such continuous trading session in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules); and
- (b) in respect of a pre-opening session or a closing auction session (if applicable) of the Stock Exchange (as the case may be), the final Indicative Equilibrium Price (as defined in the Trading Rules) of the Unit (if any) calculated at the end of the pre-order matching period of such pre-opening session or closing auction session (if applicable), as the case may be, in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules),

subject to such modification and amendment prescribed by the Stock Exchange from time to time.

“Strike Price” means the price specified as such in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Product Condition 3;

“Trading Day” means any day on which the Stock Exchange is scheduled to open for trading for its regular trading sessions;

“Trading Rules” means the Rules and Regulations of the Exchange prescribed by the Stock Exchange from time to time;

“Unit” means the share or unit of the Fund specified as such in the relevant Launch Announcement and Supplemental Listing Document; and

“Valuation Date” means the Trading Day immediately preceding the Expiry Date provided that if, in the determination of the Issuer, a Market Disruption Event has occurred on that day, the Valuation Date shall be postponed until the first succeeding Trading Day on which the Issuer determines that there is no Market Disruption Event, unless the Issuer determines that there is a Market Disruption Event occurring on each of the four Trading Days immediately following the original date which (but for the Market Disruption Event) would have been the Valuation Date. In that case:



- (a) the fourth Trading Day immediately following the original date shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and
- (b) the Issuer shall determine the Closing Price having regard to the then prevailing market conditions, the last reported trading price of the Unit on the Stock Exchange and such other factors as the Issuer determines to be relevant.

2. Exercise of CBBCs

2.1 Exercise of CBBCs in Board Lots

CBBCs may only be exercised in Board Lots or integral multiples thereof.

2.2 Automatic exercise

If no Mandatory Call Event has occurred during the Observation Period, the CBBCs will be deemed to be automatically exercised on the Expiry Date if the Cash Settlement Amount is positive. Any CBBC which has not been automatically exercised in accordance with this Product Condition 2.2 shall expire immediately without value thereafter and all rights of the Holder and obligations of the Issuer with respect to such CBBC shall cease.

2.3 Mandatory Call Event

- (a) Subject to Product Condition 2.3(b) below, following a Mandatory Call Event, the CBBCs will be terminated automatically and the Issuer shall have no further obligation under the CBBCs except for the payment of the Cash Settlement Amount (if any) on the relevant Settlement Date. The Issuer will notify the Holders of the occurrence of the Mandatory Call Event in accordance with General Condition 7. Trading in the CBBCs will be suspended immediately upon the occurrence of a Mandatory Call Event and any Post MCE Trades will be cancelled and will not be recognised by the Stock Exchange or the Issuer.
- (b) A Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:
 - (i) system malfunction or other technical errors of Hong Kong Exchanges and Clearing Limited and such event is reported by the Stock Exchange to the Issuer and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked; or
 - (ii) manifest errors caused by the relevant third party where applicable and such event is reported by the Issuer to the Stock Exchange, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked;

in each case, such mutual agreement must be reached no later than 30 minutes before the commencement of trading (including the pre-opening session) (Hong Kong time) on the Trading Day of the Stock Exchange immediately following the day on which the Mandatory Call Event occurs, or such other time as prescribed by the Stock Exchange from time to time.

In both cases, the Mandatory Call Event so triggered will be reversed; and all cancelled trades (if any) will be reinstated and trading of the CBBCs will resume as soon as practicable in accordance with the rules and/or requirements prescribed by the Stock Exchange from time to time.



2.4 *Entitlement*

Every Board Lot of CBBCs entitles the Holder to receive from the Issuer on the Settlement Date the Cash Settlement Amount (if any).

2.5 *Cancellation*

Upon early expiration of the CBBCs at the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date, the Issuer will, with effect from the first Business Day following the MCE Valuation Period or the Expiry Date (as the case may be) remove the name of the Holder from the Register in respect of the number of CBBCs which have expired or exercised (as the case may be) and thereby cancel the relevant CBBCs and if applicable, the Global Certificate.

2.6 *Exercise Expenses*

Any Exercise Expenses which are not determined by the Issuer by the end of the MCE Valuation Period or the Expiry Date (as the case may be) and deducted from the Cash Settlement Amount prior to delivery to the Holder in accordance with this Product Condition 2, shall be notified by the Issuer to the Holder as soon as practicable after determination thereof and shall be paid by the Holder to the Issuer immediately upon demand.

2.7 *Cash Settlement*

Upon early termination of the CBBCs following the occurrence of a Mandatory Call Event or an automatic exercise of the CBBCs on the Expiry Date (as the case may be), the Issuer will, in respect of every Board Lot, pay the Cash Settlement Amount minus the determined Exercise Expenses to the relevant Holder. If the Cash Settlement Amount is equal to or less than the determined Exercise Expenses, no amount is payable.

The Cash Settlement Amount minus the determined Exercise Expenses shall be despatched no later than the Settlement Date by crediting that amount in accordance with the CCASS Rules, to the Designated Bank Account.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder on the original Settlement Date, the Issuer shall use its reasonable endeavours to procure payment electronically through CCASS by crediting the relevant Designated Bank Account of the Holder as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to the Holder for any interest in respect of the amount due or any loss or damage that such Holder may suffer as a result of the existence of the Settlement Disruption Event.

2.8 *Responsibility of Issuer*

The Issuer or its agents shall not have any responsibility for any errors or omissions in the calculation and dissemination of any variables published by a third party and used in any calculation made pursuant to these Conditions or in the calculation of the Cash Settlement Amount arising from such errors or omissions. The purchase of CBBCs does not confer on any Holder of such CBBCs any rights (whether in respect of voting, distributions or otherwise) in relation to the Units.



2.9 Liability of Issuer

Exercise and settlement of the CBBCs is subject to all applicable laws, rules, regulations and guidelines in force at the relevant time and the Issuer shall not incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, rules, regulations or guidelines. The Issuer shall not under any circumstances be liable for any acts or defaults of the CCASS in relation to the performance of its duties in relation to the CBBCs.

2.10 Trading

Subject to Product Condition 2.3(b), trading in CBBCs on the Stock Exchange shall cease:

- (a) immediately upon the occurrence of a Mandatory Call Event; or
- (b) at the close of trading for the Trading Day immediately preceding the Expiry Date (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning session only, at the close of trading for the morning session),

whichever is the earlier.

3. Adjustments

3.1 Rights Issues

If and whenever the Fund shall, by way of Rights (as defined below), offer new Units for subscription at a fixed subscription price to the holders of existing Units pro rata to existing holdings (a “**Rights Offer**”), the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement (“**Rights Issue Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

$$\text{Adjustment Component} = \frac{1 + M}{1 + (R/S) \times M}$$

E Existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Unit price being the closing price of an existing Unit as derived from the daily quotation sheet of the Stock Exchange on the last Business Day on which the Units are traded on a Cum-Rights basis

R: Subscription price per new Unit specified in the Rights Offer plus an amount equal to any distributions or other benefits foregone to exercise the Rights

M: Number of new Unit(s) (whether a whole or a fraction) per existing Unit each holder thereof is entitled to subscribe,

provided that if the above formula would result in an adjustment to the Entitlement which would amount to one per cent. or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Strike Price and the Call Price



(both of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Strike Price and the Call Price shall take effect on the Rights Issue Adjustment Date.

For the purposes of these Product Conditions:

“**Rights**” means the right(s) attached to each existing Unit or needed to acquire one new Unit (as the case may be) which are given to the holders of existing Units to subscribe at a fixed subscription price for new Units pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

3.2 Bonus Issues

If and whenever the Fund shall make an issue of Units credited as fully paid to the holders of Units generally (other than pursuant to a scrip distribution or similar scheme for the time being operated by the Fund or otherwise in lieu of a cash distribution and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”), the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement (“**Bonus Issue Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

$$\text{Adjustment Component} = \frac{1}{1 + N}$$

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Units (whether a whole or a fraction) received by a holder of Units for each Unit held prior to the Bonus Issue,

provided that if the above formula would result in an adjustment to the Entitlement which would amount to one per cent. or less of the Entitlement immediately prior to the adjustment, then no adjustment will be made. In addition, the Issuer shall adjust the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Strike Price and the Call Price shall take effect on the Bonus Issue Adjustment Date.

3.3 Subdivisions and Consolidations

If and whenever the Fund shall subdivide its Units or any class of its outstanding Units into a greater number of units or shares (a “**Subdivision**”) or consolidate the Units or any class of its outstanding Units into a smaller number of units or shares (a “**Consolidation**”), then:

- (a) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and
- (b) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) takes effect.



3.4 Restructuring Events

If it is announced that the Fund is to or may merge with or into any other fund or consolidate with or into any other fund or corporation (including becoming, by agreement or otherwise, controlled by any person or corporation) (except where the Fund is the surviving entity in a merger) or that it is to or may sell or transfer all or substantially all of its assets, the rights attaching to the CBBCs may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer in its absolute discretion) so that the CBBCs shall, after such Restructuring Event, relate to the number of units or shares of the fund(s) or corporation(s) resulting from or surviving such Restructuring Event or other securities (“**Substituted Securities**”) and/or cash offered in substitution for the affected Units, as the case may be, to which the holder of such number of Units to which the CBBCs related immediately before such Restructuring Event would have been entitled upon such Restructuring Event and thereafter the provisions hereof shall apply to such Substituted Securities, provided that any Substituted Securities may, in the absolute discretion of the Issuer, be deemed to be replaced by an amount in the relevant currency equal to the market value or, if no market value is available, fair value, of such Substituted Securities in each case as determined by the Issuer as soon as practicable after such Restructuring Event is effected. For the avoidance of doubt, any remaining Units shall not be affected by this paragraph and, where cash is offered in substitution for Units or is deemed to replace Substituted Securities as described above, references in these Product Conditions to the Units shall include any such cash.

3.5 Cash Distribution

No adjustment will be made for an ordinary cash distribution (whether or not it is offered with a scrip alternative) (“**Ordinary Distribution**”). For any other forms of cash distribution (“**Cash Distribution**”) announced by the Fund, such as a cash bonus, special distribution or extraordinary distribution, no adjustment will be made unless the value of the Cash Distribution accounts for 2 per cent. or more of the Unit’s closing price on the day of announcement by the Fund.

If and whenever the Fund shall make a Cash Distribution credited as fully paid to the holders of Units generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement in respect of the relevant Cash Distribution (“**Cash Distribution Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Component} \times E$$

Where:

$$\text{Adjustment Component} = \frac{S - OD}{S - OD - CD}$$

E: The existing Entitlement immediately prior to the Cash Distribution

S: The closing price of the existing Unit as derived from the daily quotation sheet of the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The amount of Cash Distribution per Unit

OD: The amount of Ordinary Distribution per Unit, provided that the Ordinary Distribution and the Cash Distribution shall have the same ex-entitlement date. For the avoidance of doubt, the OD shall be deemed to be zero if the ex-entitlement dates of the relevant Ordinary Distribution and Cash Distribution are different



In addition, the Issuer shall adjust the Strike Price and the Call Price (both of which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Component, where the reciprocal of the Adjustment Component means one divided by the relevant Adjustment Component. The adjustment to the Strike Price and the Call Price shall take effect on the Cash Distribution Adjustment Date.

3.6 Other Adjustments

Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the CBBCs as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

- (a) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (b) determined by the Issuer in good faith to be appropriate and commercially reasonable.

3.7 Notice of Determinations

All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with General Condition 7.

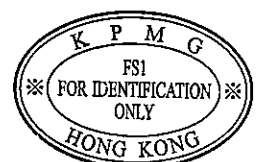
4. Termination or Liquidation

In the event of a Termination or the liquidation or dissolution of the Fund or, if applicable, trustee of the Fund (including any successor trustee appointed from time to time) ("Trustee") (in its capacity as trustee of the Fund) or the appointment of a liquidator, receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of the Fund's or the Trustee's (as the case may be) undertaking, property or assets, all unexercised CBBCs will lapse and shall cease to be valid for any purpose.

In the case of a Termination, the unexercised CBBCs will lapse and shall cease to be valid on the effective date of the Termination, in the case of a voluntary liquidation, the unexercised CBBCs will lapse and shall cease to be valid on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of such Fund's or Trustee's (as the case may be) undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of the applicable law.

For the purpose of this Product Condition 4, "**Termination**" means:

- (i) the Fund is terminated or required to be terminated for whatever reason, or the termination of the Fund commences;
- (ii) where applicable, the Fund is held or is conceded by the Trustee or the manager of the Fund (including any successor manager appointed from time to time) as not having been constituted or as having been imperfectly constituted;



- (iii) where applicable, the Trustee ceases to be authorised under the Fund to hold the property of the Fund in its name and perform its obligations under the trust deed constituting the Fund; or
- (iv) the Fund ceases to be authorised as an authorised collective investment scheme under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

5. Delisting

5.1 Adjustments following delisting

If at any time the Units cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments and amendments to the rights attaching to the CBBCs as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the circumstances of any individual Holder or the tax or other consequences that may result in any particular jurisdiction).

5.2 Listing on another exchange

Without prejudice to the generality of Product Condition 5.1, where the Units are, or, upon the delisting, become, listed on any other stock exchange, the Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of the Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

5.3 Adjustments binding

The Issuer shall determine, in its absolute discretion, any adjustment or amendment and its determination shall be conclusive and binding on the Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with General Condition 7 as soon as practicable after they are determined.



APPENDIX 4
AUDITOR'S REPORT AND OUR FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

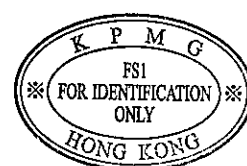
Our audited financial statements for the year ended 31 December 2021 are set out in this Appendix 4. References to page numbers on the following pages are to the page numbers of such audited financial statements.



**Korea Investment and Securities
Asia Limited**

韓國投資證券亞洲有限公司

**Reports and financial statements
for the year ended 31 December 2021**



Directors' report

The directors present the annual report together with the audited financial statements of Korea Investment and Securities Asia Limited (the "Company") for the year ended 31 December 2021.

Principal activities

The principal activities of the Company are provision of securities and futures dealing services as well as investment advices to clients, provision of investment and trading supporting services to the immediate holding company and its affiliates, and engage in proprietary investments. The Company has commenced brokerage business dealing in securities in 2020 and dealing in futures contracts in 2021, and carried on regulated activities in connection with securities and futures dealing and advising on securities.

The Company is licensed by the Hong Kong Securities and Futures Commission to perform the following regulated activities:

Type 1: Dealing in securities

Type 2: Dealing in futures contracts

Type 4: Advising on securities

- * For Type 2 regulated activity, the Company is subject to licensing condition that it shall only provide services to professional investors. The term "professional investor" is as defined in the Securities and Futures Ordinance and its subsidiary legislation.

Results and appropriation

The results of the Company for the year ended 31 December 2021 are set out in the statement of comprehensive income on page 10 -11.

The directors do not recommend the payment of a dividend.

Share issued in the year

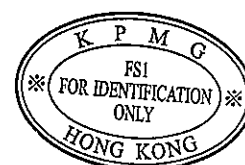
Details of the Company's share capital are set out in Note 25 to the financial statements.

Directors

The directors for the year ended 31 December 2021 and up to the date of this report are:

Lee, Kang Hee
Chun, Sung Woo (Appointed on 19 August 2021)
An, Song Il (Appointed on 25 February 2022)
Lee, Chui Ho (Resigned on 25 February 2022)

There being no provision to the contrary in the Company's Articles of Association, the directors continue in office.



Directors' material interests in transactions, arrangements and contracts that are significant in relation to the Company's business

No transactions, arrangements and contracts of significance in relation to the Company's business to which Company's fellow subsidiaries or its holding companies was a party and in which the directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December 2021 or at any time during the year.

Directors' interest in the shares and debentures of the Company or any specified undertakings of the Company

At no time for the year ended 31 December 2021 was the Company, its fellow subsidiaries or its holding companies a party to any arrangement to enable the directors of the Company to hold any interests in the shares, or debentures of, the Company or its specified undertakings.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the year ended 31 December 2021.

Business Review

Pursuant to Section 388(3)(b) of the Hong Kong Companies Ordinance (Cap. 622), the Company is exempted from the preparation of a business review as required under Schedule 5 of the Hong Kong Companies Ordinance (Cap.622) as the Company is a wholly owned subsidiary of another body corporate in the financial year.

Permitted indemnity provisions

At no time during the financial year and up to the date of this directors' report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company.

Auditor

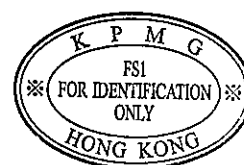
The financial statements have been audited by KPMG who retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditor of the Company is proposed at the Annual General Meeting.

On behalf of the Board

이강희

Lee, Kang Hee
Director

Hong Kong,



Independent auditor's report to the member of Korea Investment and Securities Asia Limited (Incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of Korea Investment and Securities Asia Limited ("the Company") set out on pages 7 to 58, which comprise the statement of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021 and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are relevant to these financial statements and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") and with reference to Practice Note 820 (Revised), *The audit of licensed corporations and associated entities of intermediaries*, issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matter

The financial statements of the Company as at and for the year ended 31 December 2020, were audited by another auditor who expressed an unmodified opinion on those financial statements on 30 April 2021.

Information other than the financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



Independent auditor's report to the member of Korea Investment and Securities Asia Limited (continued)

(Incorporated in Hong Kong with limited liability)

Information other than the financial statements and auditor's report thereon (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

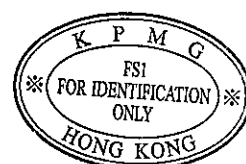
The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with the applicable HKFRSs issued by the HKICPA that are relevant to these financial statements and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

In addition, the directors are required to ensure that the financial statements are in accordance with the records kept under the Hong Kong Securities and Futures (Keeping of Records) Rules and satisfy the requirements of the Hong Kong Securities and Futures (Accounts and Audit) Rules.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and to report to you on the other matters set out in the preceding paragraph, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.



**Independent auditor's report to the member of
Korea Investment and Securities Asia Limited (continued)**
(Incorporated in Hong Kong with limited liability)

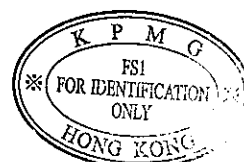
Auditor's responsibilities for the audit of the financial statements (continued)

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to obtain reasonable assurance about whether the financial statements are in accordance with the records kept under the Hong Kong Securities and Futures (Keeping of Records) Rules and satisfy the requirements of the Hong Kong Securities and Futures (Accounts and Audit) Rules.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.





**Independent auditor's report to the member of
Korea Investment and Securities Asia Limited (continued)**

(Incorporated in Hong Kong with limited liability)

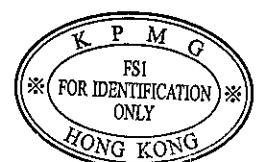
**Report on matters under the Hong Kong Securities and Futures (Keeping of
Records) Rules and Hong Kong Securities and Futures (Accounts and Audit)
Rules of the Hong Kong Securities and Futures Ordinance**

In our opinion, the financial statements are in accordance with the records kept under the Hong Kong Securities and Futures (Keeping of Records) Rules and satisfy the requirements of the Hong Kong Securities and Futures (Accounts and Audit) Rules.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

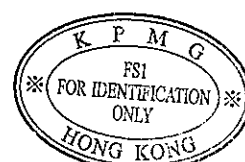
29 APR 2022



Statement of financial position as at 31 December 2021

(Expressed in Hong Kong dollars)

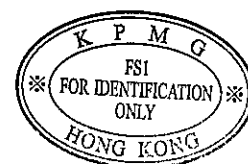
	Notes	2021 HK\$	2020 HK\$
Assets			
Non-current assets			
Property and equipment	4	844,957	1,401,237
Intangible assets	5	4,366,285	4,725,201
Right-of-use assets	6(a)	2,409,649	5,534,387
Investment in associate	7	22,998,012	-
Financial assets measured at amortised cost	8	63,998,920	-
Statutory deposits	9	806,763,773	2,148,806
Deposits and other assets	10	1,808,346	50,000
		<u>903,189,942</u>	<u>13,859,631</u>
Current assets			
Amounts due from broker	11	9,480,278	29,064,999
Amount due from a fellow subsidiary	12, 24(a)	35,688,649	2,844,491
Amount due from immediate holding company	12, 24(a)	995,276	5,529,758
Financial assets at fair value through profit or loss	13	2,248,682,872	2,424,988,284
Interest receivable		12,477,433	13,604,409
Deposits and other assets	10	550,639,300	6,298,187
Tax recoverable	17	9,805,482	-
Cash and cash equivalents	14		
- General accounts		824,096,214	291,644,862
- Segregated accounts		323,710,493	5,207,478
Trade and other receivables	15	56,553,855	177,489,906
		<u>4,072,129,852</u>	<u>2,956,672,374</u>
Total assets		<u>4,975,319,794</u>	<u>2,970,532,005</u>



Statement of financial position as at 31 December 2021 (continued)

(Expressed in Hong Kong dollars)

	Notes	2021 HK\$	2020 HK\$
Equity			
Equity attributable to the owners of the Company			
Share capital	25	3,700,321,900	2,534,650,000
Retained earnings		<u>52,227,240</u>	<u>35,849,020</u>
Total equity		<u>3,752,549,140</u>	<u>2,570,499,020</u>
Liabilities			
Current liabilities			
Financial liabilities at fair value through profit or loss	13	226,123	7,694,060
Accrued bonus		12,655,551	6,802,707
Accounts payable and accruals		2,171,801	1,386,829
Amount due to broker	11	4,802,382	190,921,887
Lease liabilities	6(b)	899,418	6,076,882
Tax payable	17	-	3,755,733
Trade and other payables	16	<u>1,199,811,099</u>	<u>182,754,261</u>
Total current liabilities		<u>1,220,566,374</u>	<u>399,392,359</u>



Statement of financial position as at 31 December 2021
(continued)
(Expressed in Hong Kong dollars)

	Notes	2021 HK\$	2020 HK\$
Non-current liabilities			
Lease liabilities	6(b)	1,783,179	-
Deferred tax liabilities	17	421,101	640,626
Total non-current liabilities		<u>2,204,280</u>	<u>640,626</u>
Total liabilities		<u>1,222,770,654</u>	<u>400,032,985</u>
Total equity and liabilities		<u>4,975,319,794</u>	<u>2,970,532,005</u>

Approved by the Board of Directors on 29 April 2022 and signed on behalf of the Board by

이강희

Lee, Kang Hee
Director

An, Song Il

An, Song Il
Director

Chun, Sung Woo

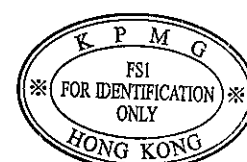
Chun, Sung Woo
Director

The notes on pages 15 to 58 form part of these financial statements.



Statement of profit or loss and other comprehensive income for the year ended 31 December 2021 (Expressed in Hong Kong dollars)

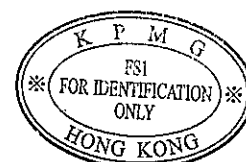
	Notes	2021 HK\$	2020 HK\$
Income			
Fee income	18, 24(a)	87,684,923	30,119,403
Net (losses)/gains on financial assets and financial liabilities at fair value through profit or loss	19	(17,585,753)	42,308,982
Interest income from loan	20	3,737,555	-
		<u>73,836,725</u>	<u>72,428,385</u>
Other income/(loss)			
Other interest income	20	1,626,011	2,400,116
Exchange gains/(losses), net		20,452,771	(14,509,944)
Other income		232,177	-
		<u>22,310,959</u>	<u>(12,109,828)</u>
Net total income		<u>96,147,684</u>	<u>60,318,557</u>
Expenses			
Staff costs	21	44,318,775	31,289,572
Travelling and entertainment		1,641,787	1,149,989
Information and communication costs		14,986,996	8,130,370
Insurance costs		1,141,205	643,335
Depreciation			
- Property and equipment	4	927,060	738,901
- Right-of-use asset	6(a)	5,631,454	5,278,381
Auditor's remuneration			
- Audit fee		997,935	880,000
- Other services		43,000	66,000
Transaction fees		1,984,075	3,379,352
Other operating expenses		7,197,665	7,079,711
Amortisation expense	5	806,639	196,063
Total expenses		<u>79,676,591</u>	<u>58,831,674</u>



**Statement of profit or loss and other comprehensive income
for the year ended 31 December 2021 (continued)**
(Expressed in Hong Kong dollars)

	Notes	2021 HK\$	2020 HK\$
Finance costs			
- Interest paid to broker	11	335,823	11,979,307
- Interest expense on lease liabilities		81,266	231,413
- Interest paid for repurchase agreement		444,747	-
		<u>861,836</u>	<u>12,210,720</u>
Profit/(loss) before tax		15,609,257	(10,723,837)
Income tax	22	<u>768,963</u>	<u>(9,972,346)</u>
Profit/(loss) and total comprehensive income for the year		<u>16,378,220</u>	<u>(20,696,183)</u>

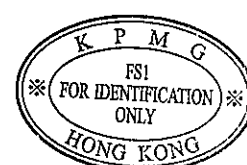
The notes on pages 15 to 58 form part of these financial statements.



Statement of changes in equity
for the year ended 31 December 2021
(Expressed in Hong Kong dollars)

	Note	Share capital HK\$	Retained earnings HK\$	Total HK\$
Balance at 1 January 2020		2,534,650,000	56,545,203	2,591,195,203
Total comprehensive loss for the year		-	(20,696,183)	(20,696,183)
Balance at 31 December 2020 and 1 January 2021		2,534,650,000	35,849,020	2,570,499,020
Issuance of shares	25	1,165,671,900	-	1,165,671,900
Total comprehensive income for the year		-	16,378,220	16,378,220
Balance at 31 December 2021		3,700,321,900	52,227,240	3,752,549,140

The notes on pages 15 to 58 form part of these financial statements.



Statement of cash flows for the year ended 31 December 2021 (Expressed in Hong Kong dollars)

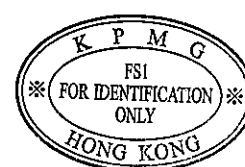
	Notes	2021 HK\$	2020 HK\$
Operating activities			
Profit/(loss) before tax		15,609,257	(10,723,837)
Adjustments for:			
Depreciation	4, 6(a)	6,558,514	6,017,282
Amortisation expense	5	806,639	196,063
Interest income from debt securities	19	(43,612,444)	(90,257,768)
Interest income	20	(5,363,566)	(2,400,116)
Finance costs		861,836	12,210,720
Net loss on disposal of fixed asset	4	165,660	-
Net gain on adjustment of lease liability		(20,477)	-
Changes in working capital:			
Increase in financial assets measured at amortised cost		(63,998,920)	-
Decrease in financial assets at fair value through profit or loss		176,305,412	998,888,151
Decrease/(increase) in due from immediate holding company		4,534,482	(4,563,636)
Increase in amount due from a fellow subsidiary		(32,844,158)	(1,240,237)
Increase in deposits and other assets		(1,350,714,426)	(2,853,722)
Decrease in amount due from broker		19,584,721	147,704,788
Decrease in financial liabilities at fair value through profit or loss		(7,467,937)	(915,390)
Increase in accrued bonus		5,852,844	536,107
Increase in accounts payable and accruals		784,972	592,317
Decrease in amount due to broker		(186,119,505)	(870,700,899)
Increase/(decrease) in trade and other receivables		120,936,051	(177,489,906)
Increase in trade and other payables		698,553,823	177,546,783
Cash (used in)/generated from operations		(639,387,222)	182,546,700
Interest received		50,102,986	104,797,923
Lease payment made		(5,961,790)	(5,674,886)
Interest paid		(780,570)	(11,979,307)
Tax paid		(13,011,777)	(14,343,859)
Net cash (used in)/generated from operating activities		(609,238,373)	255,346,571



Statement of cash flows
for the year ended 31 December 2021 (continued)
(Expressed in Hong Kong dollars)

	Notes	2021 HK\$	2020 HK\$
Investing activities			
Addition of fixed assets	4,5	(984,163)	(5,961,784)
Acquisition of Interest in associates	7	(22,998,012)	-
Net cash used in investing activities		<u>(23,982,175)</u>	<u>(5,961,784)</u>
Financing activity			
Issuance of shares	25	1,165,671,900	-
Net cash generated from financing activity		<u>1,165,671,900</u>	<u>-</u>
Net increase in cash and cash equivalents		532,451,352	249,384,787
Cash and cash equivalents at beginning of the year		<u>291,644,862</u>	<u>42,260,075</u>
Cash and cash equivalents at end of the year	14	<u>824,096,214</u>	<u>291,644,862</u>

The notes on pages 15 to 58 form part of these financial statements.



Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 General

Korea Investment and Securities Asia Limited (the "Company") is a public limited company incorporated in Hong Kong. Company has changed its status from a private company to a public company by special resolution on 4 August 2021. Its immediate holding company is Korea Investment & Securities Company Limited, a company incorporated in Korea, and its ultimate holding company is Korea Investment Holdings Company Limited, a company incorporated in Korea and listed on Korea Stock Exchange.

The Company is licensed under the Hong Kong Securities and Futures Ordinance to carry out the following regulated activities:

Type 1: Dealing in securities

Type 2: Dealing in futures contracts*

Type 4: Advising on securities

* For Type 2 regulated activity, the Company is subject to licensing condition that it shall only provide services to professional investors. The term "professional investor" is as defined in the Securities and Futures Ordinance and its subsidiary legislation.

The address of the registered office and the principal place of business is Suites 3711-12 & 3716-19, Jardine House, 1 Connaught Place, Central, Hong Kong.

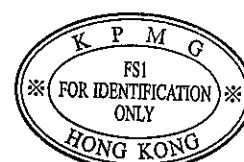
These financial statements are presented in Hong Kong dollars ("HK\$"), unless otherwise stated.

2 Significant accounting policies

(a) Statement of compliance

For the purposes of compliance with sections 379 and 380 of the Hong Kong Companies Ordinance (Cap. 622), these financial statements have been prepared to present a true and fair view of the financial position and financial performance of the Company only. Consequently, they have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Report Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance (Cap. 622) that are relevant to the preparation of company level financial statements by an intermediate parent company.

As the Company is a wholly-owned subsidiary of another corporate body, it satisfies the exemption criteria set out in section 379(3)(a) of the Hong Kong Companies Ordinance (Cap. 622), and is therefore not required to prepare consolidated financial statements.



2 Significant accounting policies (continued)

Given the above, these financial statements are not prepared for the purposes of compliance with HKFRS 10, *Consolidated financial statements* ("HKFRS 10"), so far as the preparation of consolidated financial statements of a holding company is concerned. As a consequence, the financial statements do not give all the information required by HKFRS 10 about the economic activities of the group of which the Company is the parent. Furthermore, as these financial statements are prepared in respect of the Company only, certain sections of HKFRS 12, *Disclosure of interests in other entities*, do not apply to the financial statements.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the company. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the company for the current and prior accounting periods reflected in these financial statements.

Significant accounting policies adopted by the company are disclosed below.

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the investments in debt and equity securities are stated at their fair value as explained in the accounting policies set out in note 2(d) and 2(e).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

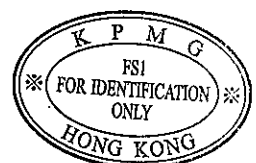
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Changes in accounting policies

The Company has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform - phase 2*
- Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*



2 Significant accounting policies (continued)

Other than the amendment to HKFRS 16, the Company has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform - phase 2*

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates ("IBOR reform"). The amendments do not have an impact on these financial statements as the Company does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

Amendment to HKFRS 16, *Covid-19-related rent concessions beyond 30 June 2021 (2021 amendment)*

The Company previously applied the practical expedient in HKFRS 16 such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 amendment extends this time limit from 30 June 2021 to 30 June 2022. During the year there were no COVID-19-related rent concessions granted to the Company.

(d) *Investment in associate*

An associate is an entity in which the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

In the statement of financial position, other than associates held for capital appreciation are measured at fair value, investment in associate is stated at cost less impairment losses, unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) *Investments in debt and equity securities*

Investments are recognised/ decognised on the date the Company commits to purchase/sell the investments or they expire. Investments in debt and equity securities are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Company determines fair value of financial instruments, see note 26(f). These investments are subsequently accounted for as follows, depending on their classification:

2 Significant accounting policies (continued)

(i) Investments other than equity investments

Non-equity investments held by the Company are classified as fair value through profit or loss (FVTPL) when the contractual cash flows of the investment do not represent solely payments of principal and interest. Changes in the fair value of the investment (including interest) are recognised in profit or loss.

If the contractual cash flows of the non-equity investments held by the Company represent solely payments of principal and interest, the investment would be classified as amortised cost, as the Company does not invest in such instruments other than principally to collect those contractual cash flows. Interest income from investments carried at amortised cost is calculated using the effective interest method (see note 2(q)). A loss allowance on investments carried at amortised cost would be recognised with reference to credit losses expected to arise on the instrument, discounted where the effect would be material, and taking into account whether the credit risk of the instrument had increased significantly since initial recognition.

(ii) Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Company makes an irrevocable election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss.

Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 2(q).

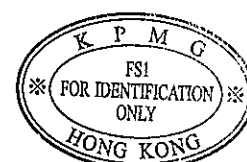
(f) *Property, plant and equipment*

Properties and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is calculated to write off their cost, less their estimated residual value, if any, over their estimated useful lives on a straight-line basis at the following annual rates:

- Furniture	33.3%
- Office equipment	33.3%
- Leasehold improvement	33.3%

Both the useful life of an asset and its residual value, if any, are reviewed annually.



2 Significant accounting policies (continued)

The carrying amounts of properties and equipment are reviewed for indications of impairment at the end of each reporting period. An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. The recoverable amount of an asset, or of the cash generating unit to which it belongs, is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(g) Leased assets

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

Where the contract contains lease component(s) and non-lease component(s), the Company has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Company recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Company, are primarily laptops and office furniture. When the Company enters into a lease in respect of a low-value asset, the Company decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(f)).

2 Significant accounting policies (continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Company will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 *Leases*. In such cases, the Company has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the statement of financial position, the current portion of long-term lease liabilities is determined as the principal portion of contractual payments that are due to be settled within twelve months after the reporting period.

(h) Intangible assets

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

The Company has developed the following criteria to identify computer software or licence to be classified as equipment of intangible assets:

- Software or licence that is embedded in computer-controlled equipment, including operating system that cannot operate with that specific software is an integral part of the related hardware and is treated as equipment; and
- Application software that is being used in a computer is generally easily replaced and is not an integral part of the related hardware and is classified as intangible asset.

Software license acquired separately are measured on initial recognition at cost. Following initial recognition, software license are carried at cost less any accumulated amortisation and any accumulated impairment losses. Due to the risk of technological changes, the useful life of all software license are generally assessed as finite and are amortised on a straight-line basis over the estimated economic useful life and assessed for impairment whenever there is an indication that the software licenses may be impaired. The amortization period and the amortization method for software licenses are reviewed at the end of each reporting period. The useful life for software licenses classified as intangible assets is 5 years.

2 Significant accounting policies (continued)

Trading rights

Trading right, representing eligibility right to trade on or through The Hong Kong Stock Exchange Limited (the "Stock Exchange"), with indefinite useful life are tested for impairment annually either individually or at the cash generating unit level. These intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

(i) Due from and due to brokers

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively. The due from brokers balance is held for collection.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Company shall measure the loss allowance on amounts due from broker at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Company shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

(i) Trade and other receivables

A receivable is recognised when the Company has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Company has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses as determined below:

The loss allowance is measured at an amount equal to lifetime expected credit losses (ECLs), which are those losses that are expected to occur over the expected life of the trade receivables. The loss allowance is estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

2 Significant accounting policies (continued)

ECLs are remeasured at each reporting date with any changes recognised as an impairment gain or loss in profit or loss. The Company recognises an impairment gain or loss with a corresponding adjustment to the carrying amount of trade and other receivables through a loss allowance account.

The gross carrying amount of a trade debtor or other receivable is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

The Company has classified the client monies as bank balances held on behalf of clients and recognised a corresponding accounts payable to respective clients on ground that it is liable for any loss or misappropriation of client monies.

(l) Accounts payables and other payables

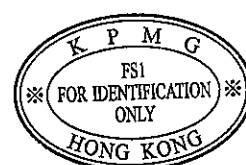
Accounts and other payables are initially recognised at fair value. Accounts payables and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(i) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees, and no provision is made for the estimated liability for annual leave as annual leave shall not be accumulated to the next leave year and unused leave days shall not be compensated.



2 Significant accounting policies (continued)

(ii) Bonus plan

The Company operates a bonus plan by which it makes its employees eligible for receiving discretionary bonuses based on the performance of the Company and the respective employee. The expected costs of bonus payments are recognised as a liability when the Company has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) Pension obligations

The Company operates a mandatory provident fund scheme ("MPF Scheme") in Hong Kong. The assets of the MPF Scheme are held in a separate trustee-administered fund. Both the Company and the employees are required to contribute 5% of the employees' relevant income up to a maximum of HK\$1,500 per employee per month. The Company's contributions to the MPF Scheme are expensed as incurred.

(n) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

(o) Share capital

Ordinary shares are classified as equity when there is no obligation to transfer cash or other assets.

(p) Provisions and contingent liabilities

Provisions are recognised when the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

2 Significant accounting policies (continued)

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(q) Revenue and other income

Income is classified by the Company as revenue when it arises from the provision of services or the use by others of the Company's assets under leases in the ordinary course of the Company's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Company is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a variable consideration, the Company estimates the amount of consideration which it will be entitled in exchange for transferring the promised goods or services to a customer and includes in the transaction price some or all of the variable consideration estimated, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Company, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Company takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Company's revenue and other income recognition policies are as follows:

- For commission and brokerage income are recognised on a trade date basis when the security brokerage transaction is executed.

2 Significant accounting policies (continued)

- For commission income, the Company satisfies the performance obligation at a point in time when a brokerage client is referred to Korea Investment & Securities Company Limited and the referred client uses the brokerage services.
- For advisory income, the Company transfers the control of advisory service over time and, therefore, satisfies a performance obligation and recognises revenue over time, since Korea Investment & Securities Vietnam Securities Corporation ("KISVSC"), a fellow subsidiary of the Company, simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs. As such, the advisory income is recognised over time.
- Commission and advisory income is recognised when the service has been rendered such that the performance obligation has been completed based on terms of the respective agreements.
- Interest income is accrued on a time-proportionate basis, by reference to the principal outstanding and at the effective interest rate applicable which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.
- Dividend income is recognised when the right to receive payment is established.
- Realised gains or losses on disposal of investments are recognised on a trade date basis when a sale and purchase contract is entered into. Unrealised gains or losses on investments are measured and recognised in accordance with note 2(e).

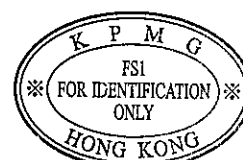
(r) Translation of foreign currencies

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in HK\$, which is the Company's functional and presentation currency.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies and non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

(s) Trust activities

The Company maintains segregated accounts with banks and authorized institutions to hold clients' monies arising from its normal course of business. The Company has classified the clients' monies as cash held on behalf of customers under the current assets section of the statement of financial position and recognised the corresponding accounts payable to respective clients on the grounds that the Company is liable to the clients. Cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

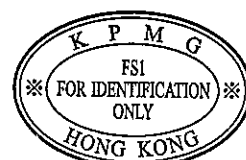


2 Significant accounting policies (continued)

(t) Related parties

- (a) A person, or a close member of that person's family, is related to the Company if that person:
- (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or the Company's parent.
- (b) An entity is related to the Company if any of the following conditions applies:
- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.



3 Accounting judgements and estimates

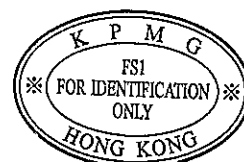
Management makes estimates and assumptions concerning the future. The resulting accounting estimates may not equal the related actual results. The estimates, assumptions and judgments that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial period are outlined below.

(i) *Determining the lease term*

As explained in policy note 2(g), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Company, the Company evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Company to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Company's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Company's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

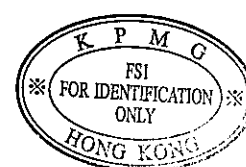
(ii) *Fair value of level 3 investment funds*

The fair value of the investment funds is estimated by the respective fund managers using applicable valuation models. The estimation of fair value of the fund includes some assumptions not supported by observable market prices or rates. The change of assumptions may have significant impact to the fair value of the investment fund. The carrying amount of level 3 investment funds as at 31 December 2021 was HK\$418,808,319 (2020: HK\$1,219,601). The directors believe that the fund managers applied the appropriate valuation techniques and assumptions in determining the fair value of financial instruments.



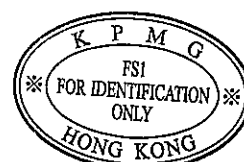
4 Property and equipment

	<i>Furniture</i> HK\$	<i>Leasehold improvement</i> HK\$	<i>Office equipment</i> HK\$	<i>Total</i> HK\$
Year ended 31 December 2020				
Opening net book value	139,400	645,414	314,804	1,099,618
Additions	63,000	336,735	640,785	1,040,520
Depreciation for the year	(83,700)	(400,244)	(254,957)	(738,901)
Disposal	-	-	-	-
Closing net book value	<u>118,700</u>	<u>581,905</u>	<u>700,632</u>	<u>1,401,237</u>
As at 31 December 2020				
Cost	763,773	4,346,657	2,990,069	8,100,499
Accumulated depreciation	<u>(645,073)</u>	<u>(3,764,752)</u>	<u>(2,289,437)</u>	<u>(6,699,262)</u>
Net book value	<u>118,700</u>	<u>581,905</u>	<u>700,632</u>	<u>1,401,237</u>
Year ended 31 December 2021				
Opening net book value	118,700	581,905	700,632	1,401,237
Additions	16,800	389,000	130,640	536,440
Depreciation for the year	(92,100)	(437,856)	(397,104)	(927,060)
Disposal	-	(165,660)	-	(165,660)
Closing net book value	<u>43,400</u>	<u>367,389</u>	<u>434,168</u>	<u>844,957</u>
As at 31 December 2021				
Cost	553,145	1,357,121	2,844,428	4,754,694
Accumulated depreciation	<u>(509,745)</u>	<u>(989,732)</u>	<u>(2,410,260)</u>	<u>(3,909,737)</u>
Net book value	<u>43,400</u>	<u>367,389</u>	<u>434,168</u>	<u>844,957</u>



5 Intangible assets

	<i>Trading right</i> HK\$	<i>Computer & software</i> HK\$	<i>Total</i> HK\$
At 1 January 2020			
Cost	-	-	-
Accumulated amortisation	-	-	-
Net book value	-	-	-
During the year ended 31 December 2020			
Opening net book value	-	-	-
Additions	1,000,000	3,921,264	4,921,264
Amortisation	-	(196,063)	(196,063)
Closing net book value	1,000,000	3,725,201	4,725,201
As at 31 December 2020 and 1 January 2021			
Cost	1,000,000	3,921,264	4,921,264
Accumulated amortisation	-	(196,063)	(196,063)
Net book value	1,000,000	3,725,201	4,725,201
During the year ended 31 December 2021			
Opening net book value	1,000,000	3,725,201	4,725,201
Additions	-	447,723	447,723
Amortisation	-	(806,639)	(806,639)
Closing net book value	1,000,000	3,366,285	4,366,285
As at 31 December 2021			
Cost	1,000,000	4,368,987	5,368,987
Accumulated amortisation	-	(1,002,702)	(1,002,702)
Net book value	1,000,000	3,366,285	4,366,285



6 Leases

(a) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	2021 \$	2020 \$
Other properties leased for own use, carried at depreciated cost	<u>2,409,649</u>	<u>5,534,387</u>

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2021 \$	2020 \$
Depreciation charge of right-of-use assets	<u>5,631,454</u>	<u>5,278,381</u>

During the year, additions and derecognition of right-of-use assets were \$2,677,388 (2020: \$1,792,044) and \$170,672(2020: Nil).

The Company has obtained the right-of-use of other properties as its Hong Kong office through tenancy agreements. The leases typically run for an initial period of 3 to 4 years.

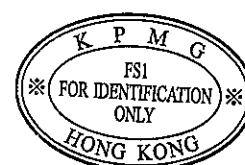
The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company is not reasonably certain to exercise the extension options at lease commencement date, the future lease payments during the extension periods are not included in the measurement of lease liabilities.

During 2021 and 2020, the Company did not receive any rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19.

6 Leases (continued)

(b) Lease liabilities

	<u>31 December 2021</u>		<u>31 December 2020</u>	
	<i>Present value of the lease payments</i>	<i>Total lease payments</i>	<i>Present value of the lease payments</i>	<i>Total lease payments</i>
	\$	\$	\$	\$
Within 1 year	<u>899,418</u>	<u>901,824</u>	<u>6,076,882</u>	<u>6,153,060</u>
After 1 year but within 2 years	<u>1,783,179</u>	<u>1,803,648</u>	-	-
	<u>1,783,179</u>	<u>1,803,648</u>	<u>6,076,882</u>	<u>-</u>
	<u>2,682,597</u>	<u>2,705,472</u>	<u>6,076,882</u>	<u>6,153,060</u>
Less: Total future interest expenses		<u>(22,875)</u>		<u>(76,178)</u>
Present value of lease liabilities		<u>2,682,597</u>		<u>6,076,882</u>



7 Investment in associate

The following list contains the particulars of the associate, which is unlisted limited partnership whose quoted market price is not available:

Name of associate	Form of business structure	Place of incorporation and business	Particulars of the Fund commitment	Proportion of ownership interest held by the Company	Principal activity
Clean Energy Transition Fund LP	Limited Partnership	Cayman Islands	US\$15,000,000 of US\$28,350,000	52.91%	Investment (Note 1)

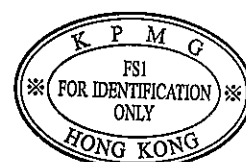
Note 1: The investment in Clean Energy Transition Fund LP, a partnership whose investment objective is to invest in clean energy transition companies.

Associates held by the Company held for capital appreciation are measured at fair value in the financial statements, breakdown as below:

	2021 HK\$	2020 HK\$
Clean Energy Transition Fund LP		
Interest in associate	<u>22,998,012</u>	<u>-</u>

8 Financial assets measured at amortised cost

	2021 HK\$	2020 HK\$
Financial assets		
Loans	64,315,022	-
Less: expected credit loss allowance	<u>(316,102)</u>	<u>-</u>
	<u>63,998,920</u>	<u>-</u>

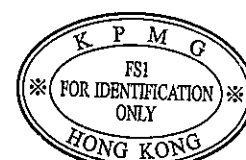


9 Statutory deposits

	2021 HK\$	2020 HK\$
The Hong Kong Securities Clearing Company Limited		
- Admission fee deposit	50,000	50,000
- Guarantee fund deposit	2,787,382	257,934
- Mainland security deposit	245,031	235,872
SEHK		
- Fidelity fund and compensation fund deposit	100,000	100,000
- Stamp duty deposit	150,000	5,000
The SEHK Options Clearing House Limited ("SEOCH")		
- Reserve fund deposit	44,689,089	1,500,000
HKCC		
- Client deposit	740,324,195	-
- House deposit	18,418,076	-
	<u>806,763,773</u>	<u>2,148,806</u>

10 Deposits and other assets

	2021 \$	2020 \$
Non-current		
Rental and other deposits	<u>1,808,346</u>	<u>50,000</u>
Current		
Prepayments and other deposits	4,981,050	6,298,187
Time deposit with maturity date over 3 months	389,890,150	-
Negotiable certificate of deposit with maturity date over 3 months	<u>155,768,100</u>	<u>-</u>
	<u>550,639,300</u>	<u>6,298,187</u>



11 Amount due from/to broker

	2021 HK\$	2020 HK\$
Amount due from broker		
Deposit	<u>9,480,278</u>	<u>29,064,999</u>
Amount due to broker		
Overdraft (note)	4,414,342	190,921,887
Deposit	<u>388,040</u>	<u>-</u>
	<u>4,802,382</u>	<u>190,921,887</u>

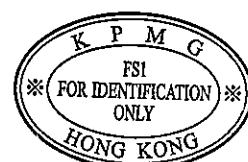
Note: The overdraft amount bears interest at overnight reference rate plus 61 basis points (2020: 1 month LIBOR plus 50 basis points). The interest amount paid during the year amounted to HK\$335,823 (2020: HK\$11,979,307). Custody assets, deposits and debt securities, which broker takes custody of, have been pledged as security against overdraft facilities granted to the Company by broker.

12 Amounts due from immediate holding company and a fellow subsidiary

Amount due from immediate holding company and amount due from a fellow subsidiary represent commission income receivable in accordance with written service agreements. The balances are unsecured, non-interest bearing and repayable on demand. Refer to note 24 for details.

13 Financial assets and financial liabilities at fair value through profit or loss

	2021 HK\$	2020 HK\$
Financial assets		
Equity securities	21,269,584	175,445,350
Debt securities	1,539,132,967	1,948,442,234
Collective investment funds	268,020,496	298,236,442
Fund	418,808,319	1,219,601
Derivatives	<u>1,451,506</u>	<u>1,644,657</u>
	<u>2,248,682,872</u>	<u>2,424,988,284</u>
Financial liabilities		
Derivatives	<u>(226,123)</u>	<u>(7,694,060)</u>
	<u>(226,123)</u>	<u>(7,694,060)</u>



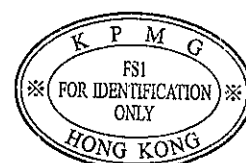
14 Cash and cash equivalents

	2021 HK\$	2020 HK\$
Bank balances at authorised financial institutions:		
(i) General accounts		
- Cash	356,228,034	291,644,862
- Time deposit with original maturity of 3 months or less	467,868,180	-
(ii) Segregated accounts - cash	<u>323,710,493</u>	<u>5,207,478</u>
Cash and bank balances	1,147,806,707	296,852,340
Less: Client's monies in segregated trust accounts	<u>(323,710,493)</u>	<u>(5,207,478)</u>
	<u>824,096,214</u>	<u>291,644,862</u>

15 Trade and other receivables

	2021 HK\$	2020 HK\$
Accounts receivable arising from the ordinary course of business of dealing in securities (Note):		
Cash clients		
- third parties	-	69,633,433
- intermediate holding company	28,097,892	24,369,736
Clearing house	<u>28,130,645</u>	<u>83,486,737</u>
	56,228,537	177,489,906
Other receivables, deposits and prepayments	<u>325,318</u>	<u>-</u>
	<u>56,553,855</u>	<u>177,489,906</u>

The majority of the Company's account receivables, particularly those arising from the ordinary course of business of dealing and broking, are revolving in nature



16 Trade and other payables

	2021 HK\$	2020 HK\$
Accounts receivable arising from the ordinary course of business of dealing in securities:		
Cash clients		
- third parties	32,219	74,854,255
- intermediate holding company	1,126,466,185	13,808,313
Clearing house	73,312,695	94,091,693
	<u>1,199,811,099</u>	<u>182,754,261</u>

17 Income tax in statement of financial position

Current taxation in the statement of financial position represents:

	2021	2020
Provision for Hong Kong Profits Tax for the year	\$ -	\$ 10,030,000
Provisional Profits Tax paid	(9,805,482)	(5,959,347)
	(9,805,482)	-
Balance of Profits Tax provision relating to prior years	-	(314,920)
Income tax (recoverable)/payable	<u>\$ (9,805,482)</u>	<u>\$ 3,755,733</u>



17 Income tax in statement of financial position

Deferred tax liabilities/(assets) recognised:

Deferred income tax is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2020: 16.5%). As at 31 December 2021, there was no estimated unused tax losses arising in Hong Kong (2020: Nil). The movement in deferred tax (assets)/liabilities during the year is as follows:

	Temporary difference (Note)
	HK\$
Year ended 31 December 2020	
At the beginning of the year	(312,631)
Charged to the statement of comprehensive income (Note 22(a))	<u>953,257</u>
At the end of the year	<u>640,626</u>
Year ended 31 December 2021	
At the beginning of the year	640,626
Released to the statement of comprehensive income (Note 22(a))	<u>(219,525)</u>
At the end of the year	<u>421,101</u>

Note: The deferred tax arises from the temporary differences caused by depreciation of fixed assets and amortisation of intangible assets.

18 Fee income

	2021 HK\$	2020 HK\$
Commission income from client referral (Note 24(a)(i))	29,532,033	20,693,194
Commission income from acquisition financing (Note 24(a)(ii))	13,847,649	4,453,625
Commission income from securities dealing	8,616,592	2,128,093
Advisory income (Note 24(a)(iii))	<u>35,688,649</u>	<u>2,844,491</u>
	<u>87,684,923</u>	<u>30,119,403</u>



19 Net (losses)/gains on financial assets and financial liabilities at fair value through profit or loss

	2021 HK\$	2020 HK\$
Net Trading and investment gain/(loss)		
- Net loss on financial assets at fair value through profit and loss	(73,492,671)	(150,653,298)
- Net gain on derivative financial instruments	43,740,038	103,412,362
- Net loss on fund at fair value through profit and loss	(35,545,430)	(7,655,652)
Dividend income from		
- Financial assets at fair value through profit and loss	4,099,866	6,947,802
Interest income from		
- Debt securities at fair value through profit or loss	43,612,444	90,257,768
	<u>(17,585,753)</u>	<u>42,308,982</u>

20 Interest income

	2021 HK\$	2020 HK\$
Interest income from loan held as financial assets at amortised cost	3,737,555	-
Other interest income from		
- Authorized institutions	1,558,993	765,545
- Others	67,018	1,634,571
	<u>1,626,011</u>	<u>2,400,116</u>



21 Staff costs

	2021 HK\$	2020 HK\$
Salaries	29,742,861	21,966,718
Bonuses	11,158,923	6,006,658
Pension costs - MPF Scheme	507,655	535,060
Welfare	33,301	122,347
Directors' emolument (Note 24(b))	2,876,035	2,658,789
	<u>44,318,775</u>	<u>31,289,572</u>

22 Income tax in statement of profit or loss and other comprehensive income

(a) Taxation charged to profit or loss:

	2021 \$	2020 \$
Current tax-Hong Kong Profits Tax		
Provision for the year	-	10,030,000
Over-provision in respect of prior years	(549,438)	(1,010,911)
	<u>(549,438)</u>	<u>9,019,089</u>
Deferred tax		
Origination and reversal of temporary differences (note 17)	(219,525)	953,257
	<u>(768,963)</u>	<u>9,972,346</u>

In March 2018, the Hong Kong Government introduced a two-tiered profits tax rate regime by enacting the Inland Revenue (Amendment) (No. 3) Ordinance 2018 (the "Ordinance"). Under the two-tiered profits tax rate regime, the first HK\$2 million of assessable profits of qualifying corporations is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The Ordinance is effective from the year of assessment 2018/19.

Accordingly, the provision for Hong Kong Profits Tax for the year ended 31 December 2021 is calculated in accordance with the two-tiered profits tax rate regime (2020: the two-tiered profits tax rate regime).



22 Income tax in statement of profit or loss and other comprehensive income (continued)

(b) Reconciliation between tax expense (reversed)/ charged to profit or loss and accounting profit at applicable tax rates:

	2021 HK\$	2020 HK\$
Profit/(loss) before tax	<u>15,609,257</u>	<u>(10,723,837)</u>
Notional tax on profit before taxation (Note)	2,528,700	(1,737,261)
Tax effect of non-deductible expenses	(45,985)	1,854,231
Tax effect of non-taxable income	(2,773,355)	10,060,186
Over-provision in prior years	(549,438)	(1,010,911)
Others	<u>71,115</u>	<u>806,101</u>
Tax expense for the year	<u>(768,963)</u>	<u>9,972,346</u>

Note: For the year ended 31 December 2021, the notional tax is calculated in accordance with the two-tiered profits tax rate regime under which tax on the first HK\$2 million of profits is calculated at 8.25% and tax on the remaining profits is calculated at 16.5% (2020: the two-tiered profits tax rate regime was applied).

23 Commitments

The outstanding capital commitment on the fund investments and on Investment in associate not provided for in the financial statements at 31 December 2021 is approximately \$233.8m (2020: \$97.6m).

24 Related party transactions

(a) Fee income from related parties

(i) Commission income from client referral

The Company provides client referral services to Korea Investment & Securities Company Limited (immediate holding company of the Company). Commission income represents the sharing of brokerage commissions received by Korea Investment & Securities Company Limited on the trades mainly in Korean listed investments as entered into by the clients referred by the Company. In accordance with the fully disclosed clearing agreements for the respective clients referred by the Company, the Company earns a certain percentage of the commissions received by Korea Investment & Securities Company Limited on the trades entered into by these clients.

24 Related party transactions (continued)

An amount of HK\$29,532,033 was earned from Korea Investment & Securities Company Limited (2020: HK\$20,693,194), with a receivable of HK\$995,276 as at 31 December 2021 (2020: HK\$2,199,880). The amount has been settled as of the date of the report.

(ii) *Commission income from acquisition financing*

The Company entered into the business cooperation agreement with Korea Investment & Securities Company Limited (immediate holding company of the Company) to conduct business activities related to investment banking business. Korea Investment & Securities Company Limited shall allocate the Company with appropriate revenue according to the agreement. The Company and Korea Investment & Securities Company Limited cooperated and conducted business activities together in relation to acquisition financing business in 2021.

An amount of HK\$13,847,649 was earned from Korea Investment & Securities Company Limited (2020: HK\$4,453,625), and there is no receivable as at 31 December 2021 (2020: HK\$3,329,878).

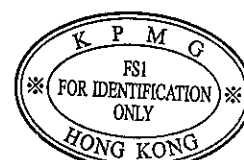
(iii) *Advisory income*

The Company entered the agreement with KISVSC. KISVSC is a fellow subsidiary of the Company, and the purpose of agreement is for Company to provide support to KISVSC relating to the latter's issuance/sales of covered warrant, which are listed and traded on the Ho Chi Minh Stock Exchange in Vietnam, and liquidity provision etc. The agreement is effective until 31 December 2021.

Advisory income of HK\$35,688,649 was recorded for the year ended 31 December 2021 (2020: HK\$2,844,491) and was earned from KISVSC, with receivable of HK\$35,688,649 as at 31 December 2021 (2020: HK\$2,844,491).

(iv) *Commission income from securities and futures dealing*

The Company is providing securities and futures dealing services to Korea Investment & Securities Company Limited and charges commission income based on the trades.



24 Related party transactions (continued)

(b) Key management compensation

The directors are considered to be the key management of the Company. The following disclosures are made pursuant to section 383(1)(a) to (f) of the Hong Kong Companies Ordinance (Cap. 622) and parts 2 to 4 of the Hong Kong Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G).

The remuneration of directors for the year ended 31 December is set out below:

	Salary HK\$	Discretionary bonuses HK\$	Employer's contribution to a retirement benefit scheme HK\$ HK\$	Total HK\$
2021	2,029,400	828,635	18,000	2,876,035
2020	1,970,000	657,289	31,500	2,658,789

During the year ended 31 December 2021 and 2020, no defined benefit pension plan was operated by the Company, and therefore no retirement benefits were paid to the directors in respect of directors services as directors of the Company. No other retirement benefits were paid to the directors in respect of directors' other services in connection with the management of the affairs of the Company or its subsidiary undertaking for the year ended 31 December 2021 and 2020.

During the year ended 31 December 2021 and 2020, no termination benefits nor considerations provided to third parties for making available directors' services were paid.

As at 31 December 2021 and 2020, there was no loans, quasi-loans nor other dealings entered into by the Company in favour of the directors, controlled bodies corporate by and connected entities with the directors.

Save for contracts amongst group companies, no significant transaction, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a directors of the Company had a material interest, whether directly, or indirectly, subsisted at the end of the year or at any time during the year.

25 Share capital

(a) Issued share capital

	2021		2020	
	No. of shares	\$	No. of shares	\$
Ordinary shares, issued and fully paid:				
At 1 January	325,000,000	2,534,650,000	325,000,000	2,534,650,000
Shares issued (Note)	150,000,000	1,165,671,900	-	-
At 31 December	<u>475,000,000</u>	<u>3,700,321,900</u>	<u>325,000,000</u>	<u>2,534,650,000</u>

Note: Pursuant to written resolution passed on 20 July 2021, 150,000,000 shares of the Company was issued to Korea Investment & Securities Co., Limited, the immediate holding company, for a consideration of USD 150,000,000.

Ordinary shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid on the shares held.

(b) Capital management

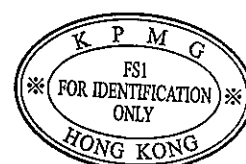
The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost. As the Company is part of a larger group, the Company's sources of additional capital and policies for distribution of excess capital may also be affected by the group's capital management objectives.

The Company defines "capital" as including all components of equity. Accordingly, the capital balance as at 31 December 2021 is HK\$3,752,549,140 (2020: HK\$2,570,499,020).

The Company's capital structure is regularly reviewed and managed with due regard to the capital management practices of the group to which the Company belongs. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Company or the group, to the extent that these do not conflict with the directors' fiduciary duties towards the Company or the requirements of the Hong Kong Companies Ordinance.

The Company is also subject to regulatory capital requirement imposed by the Hong Kong Securities and Futures Commission (the "SFC") under the Securities and Futures (Financial Resources) Rules (the "SF(FR)R"). Capital adequacy and utilisation of regulatory capital are monitored daily by the Company's management in accordance with the SF(FR)R.

The Company is required to report its liquid capital on a monthly basis and has complied with the liquid capital requirement under the SF(FR)R at each reporting date throughout the periods ended 31 December 2021 and 2020.



25 Share capital (continued)

The Company currently has a legally enforceable right to set-off the Continuous Net Settlement ("CNS") money obligations receivables and payables with Hong Kong Securities Clearing Company Limited ("HKSCC"); and the Company intends to settle on a net basis as account receivables from or account payables to HKSCC. For the net amount of CNS money obligations receivables or payables with HKSCC and Guarantee Fund placed with HKSCC, they do not meet the criteria for offsetting in the financial statements and the Company does not intend to settle the balances on a net basis.

26 Financial risk management objectives and policies

App 1D, 13(2), 13(3),
13(4)

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Company's business.

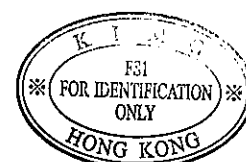
The directors manage and monitor this exposure to ensure appropriate measures are implemented in timely and effective manner.

The following is a summary of the main risks and risk management policies.

(a) Foreign currency risk

The Company is exposed to currency risks primarily arising from financial instruments that are denominated in United States dollars ("USD"). As the HK\$ is pegged to the USD, the Company considers the risk of movements in exchange rates between the HK\$ and the USD to be insignificant. In respect of financial instruments denominated in other currencies, the Company ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

The following table details the Company's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in HK\$, translated using the spot rate at the year-end date.



26 Financial risk management objectives and policies (continued)

	KRW \$	EUR \$	VND \$	AUD \$	CNY \$	GBP \$	MXN \$	ZAR \$
Statutory deposits	-	-	-	-	245,339	-	-	-
Financial assets at fair value through profit or loss	375,393,842	14,573,255	-	29,351,451	-	-	-	-
Financial assets measured at amortised cost	-	-	-	64,947,800	-	-	-	-
Trade and other receivables	-	-	-	86,473	-	-	-	-
Cash and balance with banks	11,254	-	-	6	4,240,034	-	-	-
Amounts due from broker	6,641	-	-	-	1,813,386	-	737,994	-
Amount due from fellow subsidiaries	-	-	35,688,649	-	-	-	-	-
Amount due from immediate holding company	995,276	-	-	-	-	-	-	-
Interest receivables	-	-	-	675,267	-	-	-	-
Deposits and other assets	-	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	(157,890)	-	-	(2)	-	-	-	-
Amount due to broker	-	(69,546)	-	(2,419)	-	(46,706)	-	(49)
Trade and other payables	-	-	-	-	(3,731,531)	-	-	-
Net exposure arising from recognised assets and liabilities	376,249,123	14,503,709	35,688,649	95,058,576	2,567,228	(46,706)	737,994	(49)

26 Financial risk management objectives and policies (continued)

	Exposure to foreign currencies (expressed in Hong Kong dollars)									
	2020									
	KRW \$	EUR \$	VND \$	AUD \$	CNY \$	GBP \$	MXN \$	ZAR \$	BRL \$	RUB \$
Statutory deposits	-	-	-	-	235,872	-	-	-	-	-
Financial assets at fair value through profit or loss	-	-	-	1,219,601	-	-	-	-	644,820	999,837
Cash and balance with banks	1,924	-	-	-	476,032	-	-	-	-	-
Amounts due from broker	-	(7,031,761)	-	(168,554)	1,740,260	(604,603)	723,763	-	-	-
Amount due to fellow subsidiaries	-	-	2,844,491	-	-	-	-	-	-	-
Amount due from immediate holding company	5,529,758	-	-	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-	-	(899,815)	(615,697)
Amount due to broker	-	(2,908)	-	-	-	(46,600)	-	(51)	-	-
Trade and other payables	(119,208)	-	-	-	-	-	-	-	-	-
Net exposure arising from recognised assets and liabilities	5,412,474	(7,034,669)	2,844,491	1,051,047	2,452,164	(651,203)	723,763	(51)	(254,995)	384,140

26 Financial risk management objectives and policies (continued)

Sensitivity analysis

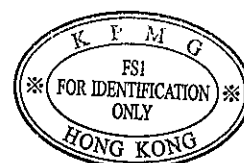
The following table indicates the instantaneous change in the Company's profit before tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Company has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would not be materially affected by any changes in movement in value of the United States dollar against other currencies.

	Increase/ (decrease) in exchange rate HK\$	Change in equity attributable to shareholders HK\$
As at 31 December 2021		
<i>Currency</i>		
KRW	+/- 10%	+/- 37,624,912
EUR	+/- 10%	+/- 1,450,371
VND	+/- 5%	+/- 1,784,432
AUD	+/- 10%	+/- 9,505,858
CNY	+/- 5%	+/- 128,361
GBP	+/- 10%	-/+ 4,671
MXN	+/- 5%	+/- 36,900
ZAR	+/- 15%	-/+ 7
As at 31 December 2020		
<i>Currency</i>		
KRW	+/- 4%	+/- 216,499
BRL	+/- 4%	-/+ 10,200
EUR	+/- 3%	-/+ 211,040
VND	+/- 1%	+/- 28,445
AUD	+/- 1%	+/- 10,510
CNY	+/- 1%	+/- 24,522
GBP	+/- 1%	-/+ 6,512
MXN	+/- 1%	+/- 7,238
RUB	+/- 1%	+/- 3,841
ZAR	+/- 1%	-/+ 1

26 Financial risk management objectives and policies (continued)

Outstanding foreign exchange forward contracts and exchange traded foreign exchange futures entered directly by the Company as at 31 December 2021 and 2020 are as follows:

	<i>Notional amount HK\$</i>	<i>Fair value HK\$</i>
As at 31 December 2021		
Financial assets at fair value through profit or loss		
Foreign exchange forward contracts		
- Buy USD/Sell AUD	56,494,770	510,229
Total	<u>56,494,770</u>	<u>510,229</u>
Financial liabilities at fair value through profit or loss		
Foreign exchange forward contracts		
- Buy USD/Sell KRW	(381,010,916)	(157,890)
- Buy USD/Sell AUD	(8,474,216)	(1)
Total	<u>(389,485,132)</u>	<u>(157,891)</u>
	<i>Notional amount HK\$</i>	<i>Fair value HK\$</i>
As at 31 December 2020		
Financial assets at fair value through profit or loss		
Foreign exchange forward contracts		
- Buy USD/Sell BRL	37,861,309	644,820
- Buy USD/Sell RUB	77,378,855	999,837
Total	<u>115,240,164</u>	<u>1,644,657</u>
Financial liabilities at fair value through profit or loss		
Foreign exchange forward contracts		
- Buy BRL/Sell USD	(37,861,309)	(899,815)
- Buy RUB/Sell USD	(77,378,855)	(615,697)
Total	<u>(115,240,164)</u>	<u>(1,515,512)</u>



26 Financial risk management objectives and policies (continued)

(b) Interest rate risk

The Company's interest rate risk arises primarily from investments in debt instruments and bank deposits. The fair value of the Company's fixed rate securities will be affected by changes in prevailing external interest rates. The cash flows receivable from the Company's investments in variable rates securities will vary with changes in prevailing external interest rates.

(i) Interest rate profile

The following table details the interest rate profile of the Company's interest-bearing financial instruments at the end of the reporting period:

	2021		2020	
	Effective interest rate	Amount HK\$	Effective interest rate	Amount HK\$
Assets				
<i>Fixed rate instruments</i>				
Debt instruments classified as financial assets at fair value through profit or loss	0.8% - 8%	1,539,132,967	0.8% - 8%	1,948,442,234
Debt instruments classified as financial assets measured at amortised cost	4.5% - 4.75%	63,998,920	-	-
Cash and cash equivalents	0% - 1%	913,872,617	0% - 1%	296,852,340
<i>Variable rate instruments</i>				
Overdraft	Overnight reference rate + 0.61%	4,414,342	LIBOR 1 months) + 0.5%	190,921,887

(ii) Sensitivity analysis

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The general increase of 50 basis points (2020: 50 basis points) represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for 2020.

At 31 December 2021, the Company has cash at banks with floating interest rate of HK\$679,938,527 (2020: HK\$296,852,340). If the interest rates had been 50 basis points higher or lower with all variables held constant, the Company's gain (2020: loss) for the year would increase/decrease by HK\$3,399,692 (2020: increase/decrease by HK\$1,484,262).

26 Financial risk management objectives and policies (continued)

(c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company's credit risk is primarily attributable to debt securities, over-the-counter derivatives, loans, trade and other receivables, interest receivable, amount due from immediate holding company, amount due from fellow subsidiaries, amount due from broker, and cash at bank and non-bank financial institutions.

For investments in debt securities, management regularly reviews the latest credit standing of counterparties and did not expect any investment counterparties to fail to meet its obligations as at 31 December 2021 and 31 December 2020. In addition, all purchase and disposal decisions are supervised by the management.

At the end of the reporting period, all the debt securities are issued by corporate entities with sound credit rating. Management considers the Company is not exposed to any significant credit risk on debt securities. In respect of over-the-counter derivatives, management considers credit risk is not significant due to the high credit standing of the counterparties.

At the end of the reporting period, all the loans has sound credit rating and management considers credit risk is not significant.

The Company's cash and deposit balances at banks are placed with licensed banks with sound reputation. Management does not expect any failure on the part of the counterparties in meeting the obligations.

In respect of cash at non-bank financial institutions, trade and other receivables, management considers credit risk is not significant due to the high credit standing of counterparties and good credit history of making payments when the amounts fall due. Management considers the Company is not exposed to any significant credit risk on exposure from amount due from immediate holding company, amount due from fellow subsidiaries and amount due from a subsidiary as these companies are under same group with strong financial background.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance.

	2021 HK\$	2020 HK\$
Financial assets at fair value through profit or loss		
- Debt securities	1,539,132,967	1,948,442,234
- Over-the-counter derivatives	510,229	1,644,657
Financial assets measured at amortised cost	63,998,920	-
Cash and cash equivalents	1,147,806,707	296,852,340
Interest receivable	12,477,433	13,604,409
Amount due from immediate holding company	995,276	5,529,758
Amount due from a fellow subsidiary	35,688,649	2,844,491
Amount due from broker	9,480,278	29,064,999
Trade and other receivables	56,553,855	177,489,906
	<u>2,866,644,314</u>	<u>2,475,472,794</u>

26 Financial risk management objectives and policies (continued)

The credit risk on the amounts due from immediate holding company and fellow subsidiary are limited as those balances are repayable on demand and in the opinion of the directors, the probability of failure to discharge their obligation by the immediate holding company is remote.

The Company measures credit risk associated with interest receivables, amounts due from related parties, amount due from broker and cash and cash equivalents and expected credit losses using probability of default, exposure at default and loss given default (2020: amounts due from related parties, amount due from broker and cash and cash equivalents and expected credit losses using probability of default, exposure at default and loss given default). The management considers both historical analysis and forward looking information in determining any expected credit loss from such financial assets. The management has assessed that all of the above financial assets aforementioned as at 31 December 2021 and 31 December 2020 are stage 1 assets under HKFRS 9, i.e. financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. At 31 December 2021 and 31 December 2020, management considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be considered insignificant to the Company.

The table on the following page presents the Company's financial assets and liabilities subject to offsetting and similar agreements. The tables are presented by types of financial instrument. Financial instruments subject to offsetting and similar agreements:

	A	B	C=A-B	D Related amounts not set-off in the statement of financial position		E=C-D
				D(i)	D(ii)	
	Gross amounts of recognised financial assets HK\$	Gross amounts of recognised financial liabilities set- off in the statement of financial position HK\$	Net amounts of financial assets presented in the statement of financial position HK\$	Financial Instruments HK\$	Cash Collateral received HK\$	Net Amount HK\$
As at 31 December 2021						
Financial assets						
Forward contracts	510,229	-	510,229	-	-	510,229
Futures contracts	941,277	-	941,277	-	-	941,277
Amount due from broker	9,480,278	-	9,480,278	(2,551,380)	-	6,928,898
Total	10,931,784	-	10,931,784	(2,551,380)	-	8,380,404
Financial liabilities						
Forward contracts	(157,891)	-	(157,891)	-	-	(157,891)
Futures contracts	(68,232)	-	(68,232)	-	-	(68,232)
Amount due from broker	(4,802,382)	-	(4,802,382)	2,551,380	-	(2,251,002)
Total	(5,028,505)	-	(5,028,505)	2,551,380	-	(2,477,125)

26 Financial risk management objectives and policies (continued)

	A	B	C=A-B	D Related amounts not set-off in the statement of financial position		E=C-D
				D(i)	D(ii)	
	Gross amounts of recognised financial assets HK\$	Gross amounts of recognised financial liabilities set- off in the statement of financial position HK\$	Net amounts of financial assets presented in the statement of financial position HK\$	Financial Instruments HK\$	Cash Collateral received HK\$	Net Amount HK\$
As at 31 December 2020						
Financial assets						
Forward contracts	1,644,657	-	1,644,657	(1,515,512)	-	129,145
Amount due from broker	29,064,999	-	29,064,999	(29,064,999)	-	-
Total	30,709,656	-	30,709,656	(30,580,511)	-	129,145
Financial liabilities						
Forward contracts	(1,515,512)	-	(1,515,512)	1,515,512	-	-
Futures contracts	(6,178,548)	-	(6,178,548)	-	-	(6,178,548)
Amount due from broker	(190,921,887)	-	(190,921,887)	29,064,999	-	(161,856,888)
Total	(198,615,947)	-	(198,615,947)	30,580,511	-	(168,035,436)

Amounts in D(i) and D(ii) above relate to amounts subject to set-off that do not qualify for offsetting under (B) above. This includes (i) amounts which are subject to set-off against the asset (or liability) disclosed in 'A' which have not been offset in the statement of financial position, and (ii) any financial collateral (including cash collateral), both received and pledged.

The Company and its counterparty have elected to settle all transactions on a gross basis however, each party has the option to settle all open contracts on a net basis in the event of default of the other party. Per the terms of the master netting agreement, an event of default includes the following:

- failure by a party to make payment when due;
- failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied within 30 days after notice of such failure is given to the party;
- bankruptcy.

26 Financial risk management objectives and policies (continued)

(d) Liquidity risk

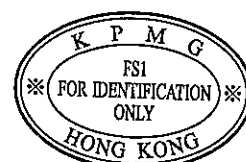
Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

In the management of liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the director to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month HK\$	1 month to less than 3 months HK\$	Over 3 months HK\$	Total HK\$
As at 31 December 2021				
Amount due to broker	4,802,382	-	-	4,802,382
Accrued bonus	-	10,403,982	2,251,569	12,655,551
Accounts payable and accruals	1,308,801	-	863,000	2,171,801
Lease liabilities	75,152	149,741	2,457,704	2,682,597
Financial liabilities at fair value through profit or loss	157,891	68,232	-	226,123
Trade and other payables	1,199,778,881	-	32,218	1,199,811,099
Contractual cash outflow	1,206,123,107	10,621,955	5,604,491	1,222,349,553
As at 31 December 2020				
Amount due to broker	190,921,887	-	-	190,921,887
Accrued bonus	-	5,800,059	1,002,648	6,802,707
Accounts payable and accruals	691,621	119,208	576,000	1,386,829
Lease liabilities	917,229	1,003,628	4,156,025	6,076,882
Financial liabilities at fair value through profit or loss	5,757,614	1,936,446	-	7,694,060
Trade and other payables	177,546,784	-	5,207,477	182,754,261
Contractual cash outflow	375,835,135	8,859,341	10,942,150	395,636,626

As at 31 December 2021, based on the earliest date on which the Company can realise the assets, HK\$1,148,801,983 (2020: HK\$299,052,220) of the financial assets are receivable within one month or have no stated maturity and therefore considered callable on demand.



26 Financial risk management objectives and policies (continued)

(e) Fair value measurement

Financial instruments carried at fair value

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1 - Quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

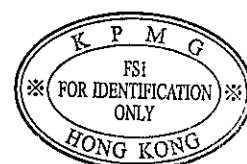
Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Company determines fair values using valuation techniques. Valuation techniques include net asset value as provided by investment fund managers, comparison to similar instruments for which market observable prices exist, and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price of the financial instrument that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the reporting date.

The Company uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over-the-counter (OTC) derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

26 Financial risk management objectives and policies (continued)

The following table analyses within the fair value hierarchy of the Company's financial assets measured at fair value: App 1D, 13(1)

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
As at 31 December 2021				
Assets				
Financial assets at fair value through profit or loss				
Investment				
- Equity securities	21,269,584	-	-	21,269,584
- Debt securities	-	1,539,132,967	-	1,539,132,967
- Collective Investment Securities	268,020,496	-	-	268,020,496
- Fund	-	-	418,808,319	418,808,319
Derivatives				
- Futures contracts	941,277	-	-	941,277
- Forward contracts	-	510,229	-	510,229
	<u>290,231,357</u>	<u>1,539,643,196</u>	<u>418,808,319</u>	<u>2,248,682,872</u>
Liabilities				
Financial liabilities at fair value through profit or loss				
Derivatives				
- Futures contracts	(68,233)	-	-	(68,233)
- Forward contracts	-	(157,890)	-	(157,890)
	<u>(68,233)</u>	<u>(157,890)</u>	<u>-</u>	<u>(226,123)</u>



26 Financial risk management objectives and policies (continued)

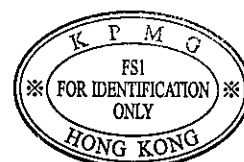
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
As at 31 December 2020				
Assets				
Financial assets at fair value through profit or loss				
Investment				
- Equity securities	175,445,350	-	-	175,445,350
- Debt securities	-	1,948,442,234	-	1,948,442,234
- Collective Investment Securities	298,236,442	-	-	298,236,442
- Fund	-	-	1,219,601	1,219,601
Derivatives				
- Forward contracts	-	1,644,657	-	1,644,657
	<u>473,681,792</u>	<u>1,950,086,891</u>	<u>1,219,601</u>	<u>2,424,988,284</u>
Liabilities				
Financial liabilities at fair value through profit or loss				
Derivatives				
- Forward contracts	-	(1,515,512)	-	(1,515,512)
- Futures contracts	(6,178,548)	-	-	(6,178,548)
	<u>(6,178,548)</u>	<u>(1,515,512)</u>	<u>-</u>	<u>(7,694,060)</u>

During the year there were no significant transfers between instruments in Level 1, Level 2 and Level 3.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of the unquoted debt securities is determined by discounting the future coupons and principal amount. The discount rate used is derived with reference to debt securities with similar risk profile.

The fair value of the foreign currency forward contracts is the discounted amount that the group would receive or pay at maturity date, taking into account the current interest rates of the underlying currencies and the creditworthiness of the counterparty.



26 Financial risk management objectives and policies (continued)

Valuation techniques and significant unobservable inputs used in Level 3 fair value measurements

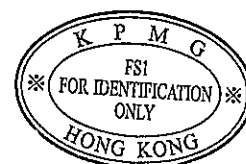
	Fair value at 31 December 2021 \$	Valuation technique \$	Unobservable input \$
Unlisted investment funds	418,808,319	Net asset value	Valuation of underlying investments

The fund held by the Company as at 31 December 2021 is a Level 3 investments which the Company values based on the shareholding percentage of the net asset value of the fund as at 31 December 2021.

For year ended 31 December 2021 and 2020, there were no transfers between levels.

The movements during the year in the balance of these Level 3 investments are as follows:

	2021 \$	2020 \$
Unlisted investment funds:		
At 1 January	1,219,601	-
Add: addition	421,728,249	1,566,008
Add: net unrealised loss recognised during the year	(4,139,531)	(346,407)
At 31 December	<u>418,808,319</u>	<u>1,219,601</u>
 Total losses for the year included in profit or loss for assets held at the end of the reporting period	 <u>4,139,531</u>	 <u>346,407</u>



27 Subsequent event

There have been no matters or circumstances that have arisen since the end of the financial period, which significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the status.

28 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2021

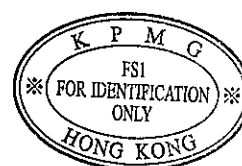
Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Company.

	<i>Effective for accounting periods beginning on or after</i>
Amendments to HKFRS 3, <i>Reference to the conceptual framework</i>	1 January 2022
Amendments to HKAS 16, <i>Property, plant and equipment: Proceeds before intended use</i>	1 January 2022
Amendments to HKAS 37, <i>Onerous Contracts - cost of fulfilling a contract</i>	1 January 2022
Annual improvements to HKFRSs 2018-2020 cycle	1 January 2022
Amendments to HKAS 1, <i>Classification of liabilities as current or non-current</i>	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, <i>Disclosure of accounting policies</i>	1 January 2023
Amendments to HKAS 8, <i>Definition of accounting estimates</i>	1 January 2023
Amendments to HKAS 12, <i>Deferred tax related to assets and liabilities arising from a single transaction</i>	1 January 2023

The Company is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements.

APPENDIX 5
AUDITOR'S REPORT AND OUR FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Our audited financial statements for the year ended 31 December 2022 are set out in this Appendix 5. References to page numbers on the following pages are to the page numbers of such audited financial statements.





Korea Investment and Securities
Asia Limited

韓國投資證券亞洲有限公司

Reports and financial statements
for the year ended 31 December 2022



Directors' report

The directors present the annual report together with the audited financial statements of Korea Investment and Securities Asia Limited (the "Company") for the year ended 31 December 2022.

Principal activities

The principal activities of the Company are provision of securities and futures dealing services as well as investment advices to clients, provision of investment and trading supporting services to the immediate holding company and its affiliates, and engage in proprietary investments.

The Company is licensed by the Hong Kong Securities and Futures Commission to perform the following regulated activities:

Type 1: Dealing in securities

Type 2: Dealing in futures contracts

Type 4: Advising on securities

* For Type 2 regulated activity, the Company is subject to licensing condition that it shall only provide services to professional investors. The term "professional investor" is as defined in the Securities and Futures Ordinance and its subsidiary legislation.

Results and appropriation

The results of the Company for the year ended 31 December 2022 are set out in the statement of comprehensive income on page 10 -11.

The directors do not recommend the payment of a dividend.

Share capital

Details of the Company's share capital are set out in Note 25 to the financial statements.

Directors

The directors for the year ended 31 December 2022 and up to the date of this report are:

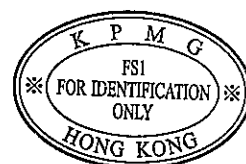
Lee, Kang Hee

Chun, Sung Woo

An, Song Il (Appointed on 25 February 2022, and resigned on 30 Decemer 2022)

Lee, Chui Ho (Resigned on 25 February 2022)

There being no provision to the contrary in the Company's Articles of Association, the directors continue in office.



Directors' material interests in transactions, arrangements and contracts that are significant in relation to the Company's business

No transactions, arrangements and contracts of significance in relation to the Company's business to which Company's fellow subsidiaries or its holding companies was a party and in which the directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December 2022 or at any time during the year.

Directors' interest in the shares and debentures of the Company or any specified undertakings of the Company

At no time for the year ended 31 December 2022 was the Company, its fellow subsidiaries or its holding companies a party to any arrangement to enable the directors of the Company to hold any interests in the shares, or debentures of, the Company or its specified undertakings.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed for the year ended 31 December 2022.

Business Review

Pursuant to Section 388(3)(b) of the Hong Kong Companies Ordinance (Cap. 622), the Company is exempted from the preparation of a business review as required under Schedule 5 of the Hong Kong Companies Ordinance (Cap.622) as the Company is a wholly owned subsidiary of another body corporate in the financial year.

Permitted indemnity provisions

At no time during the financial year and up to the date of this directors' report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company.

Auditor

The financial statements have been audited by KPMG who retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditor of the Company is proposed at the Annual General Meeting.

On behalf of the Board

이강희

Lee, Kang Hee
Director

Hong Kong, 28 April 2023





Independent auditor's report to the member of Korea Investment and Securities Asia Limited

(Incorporated in Hong Kong with limited liability)

Opinion

We have audited the financial statements of Korea Investment and Securities Asia Limited ("the Company") set out on pages 7 to 59, which comprise the statement of financial position as at 31 December 2022, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2022 and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") and with reference to Practice Note 820 (Revised), *The audit of licensed corporations and associated entities of intermediaries*, issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

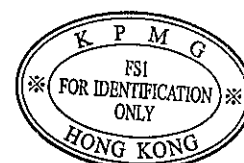
Information other than the financial statements and auditor's report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.





**Independent auditor's report to the member of
Korea Investment and Securities Asia Limited (continued)**
(Incorporated in Hong Kong with limited liability)

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with the applicable HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

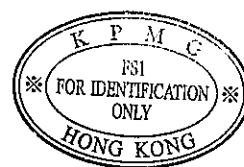
In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

In addition, the directors are required to ensure that the financial statements are in accordance with the records kept under the Hong Kong Securities and Futures (Keeping of Records) Rules and satisfy the requirements of the Hong Kong Securities and Futures (Accounts and Audit) Rules.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and to report to you on the other matters set out in the preceding paragraph, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to obtain reasonable assurance about whether the financial statements are in accordance with the records kept under the Hong Kong Securities and Futures (Keeping of Records) Rules and satisfy the requirements of the Hong Kong Securities and Futures (Accounts and Audit) Rules.





Independent auditor's report to the member of Korea Investment and Securities Asia Limited (continued)

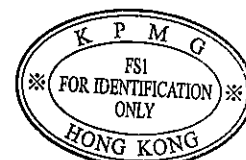
(Incorporated in Hong Kong with limited liability)

Auditor's responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.





**Independent auditor's report to the member of
Korea Investment and Securities Asia Limited (continued)**
(Incorporated in Hong Kong with limited liability)

**Report on matters under the Hong Kong Securities and Futures (Keeping of
Records) Rules and Hong Kong Securities and Futures (Accounts and Audit)
Rules of the Hong Kong Securities and Futures Ordinance**

In our opinion, the financial statements are in accordance with the records kept under the Hong Kong Securities and Futures (Keeping of Records) Rules and satisfy the requirements of the Hong Kong Securities and Futures (Accounts and Audit) Rules.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

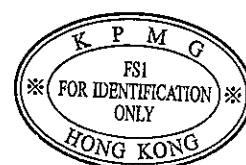
28 APR 2023



Statement of financial position as at 31 December 2022

(Expressed in Hong Kong dollars)

	Notes	2022 HK\$	2021 HK\$
Assets			
Non-current assets			
Property and equipment	4	818,021	844,957
Intangible assets	5	3,492,488	4,366,285
Right-of-use assets	6(a)	9,268,718	2,409,649
Investment in associate	7	95,866,264	22,998,012
Financial assets measured at amortised cost	8	257,191,664	63,998,920
Statutory deposits	9	828,452,333	806,763,773
Deposits and other assets	10	1,529,701	1,808,346
Deferred tax assets	17	382,201	-
		<u>1,197,001,390</u>	<u>903,189,942</u>
Current assets			
Amounts due from broker	11	973,604,189	9,480,278
Amount due from a fellow subsidiary	12, 24(a)	-	35,688,649
Amount due from immediate holding company	12, 24(a)	839,567	995,276
Financial assets at fair value through profit or loss	13	1,463,738,649	2,248,682,872
Interest receivable		14,748,769	12,477,433
Deposits and other assets	10	5,741,941	550,639,300
Tax recoverable	17	9,805,482	9,805,482
Cash and cash equivalents	14		
- General accounts		914,697,565	824,096,214
- Segregated accounts		385,341,575	323,710,493
Trade and other receivables	15	22,043,246	56,553,855
		<u>3,790,560,983</u>	<u>4,072,129,852</u>
Total assets		<u>4,987,562,373</u>	<u>4,975,319,794</u>



Statement of financial position as at 31 December 2022
(continued)
(Expressed in Hong Kong dollars)

	Notes	2022 HK\$	2021 HK\$
Equity			
Equity attributable to the owners of the Company			
Share capital	25	3,700,321,900	3,700,321,900
Retained earnings		83,413,093	52,227,240
Total equity		<u>3,783,734,993</u>	<u>3,752,549,140</u>
Liabilities			
Current liabilities			
Financial liabilities at fair value through profit or loss	13	229,875	226,123
Accrued bonus		7,732,057	12,655,551
Accounts payable and accruals		7,059,657	2,171,801
Amount due to broker	11	973,436	4,802,382
Lease liabilities	6(b)	4,725,285	899,418
Trade and other payables	16	1,178,353,363	1,199,811,099
Total current liabilities		<u>1,199,073,673</u>	<u>1,220,566,374</u>



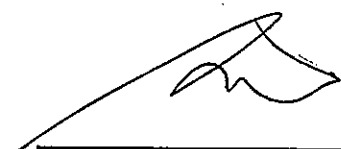
Statement of financial position as at 31 December 2022
(continued)
(Expressed in Hong Kong dollars)

	Notes	2022 HK\$	2021 HK\$
Non-current liabilities			
Lease liabilities	6(b)	4,753,707	1,783,179
Deferred tax liabilities	17	-	421,101
Total non-current liabilities		<u>4,753,707</u>	<u>2,204,280</u>
Total liabilities		<u>1,203,827,380</u>	<u>1,222,770,654</u>
Total equity and liabilities		<u>4,987,562,373</u>	<u>4,975,319,794</u>

Approved by the Board of Directors on 28 April 2023 and signed on behalf of the Board by

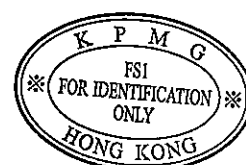
이강희

Lee, Kang Hee
Director



Chun, Sung Woo
Director

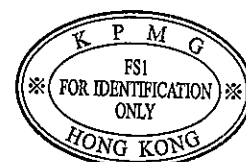
The notes on pages 15 to 59 form part of these financial statements.



Statement of profit or loss and other comprehensive income for the year ended 31 December 2022

(Expressed in Hong Kong dollars)

	Notes	2022 HK\$	2021 HK\$
Income			
Fee income	18, 24(a)	25,547,275	87,684,923
Net losses on financial assets and financial liabilities at fair value through profit or loss	19	(6,437,721)	(65,298,063)
Net losses on interest in associates		(2,389,142)	-
Dividend income		9,333,848	4,099,866
Interest income from bonds		45,850,905	43,612,444
Interest income from loans	20	51,569,054	3,737,555
		<u>123,474,219</u>	<u>73,836,725</u>
Other income			
Other interest income	20	14,531,921	1,626,011
Exchange (losses)/gains, net		(8,725,213)	20,452,771
Other income		177	232,177
		<u>5,806,885</u>	<u>22,310,959</u>
Net total income		<u>129,281,104</u>	<u>96,147,684</u>
Expenses			
Staff costs	21	43,077,107	44,318,775
Travelling and entertainment		1,950,978	1,641,787
Information and communication costs		14,413,472	14,986,996
Insurance costs		950,048	1,141,205
Depreciation			
- Property and equipment	4	514,400	927,060
- Right-of-use asset	6(a)	4,634,359	5,631,454
Auditor's remuneration			
- Audit fee		926,400	997,935
- Other services		161,636	43,000
Transaction fees		2,200,579	1,984,075
Commission and transaction fees related to loans and funds		12,189,672	-
Other operating expenses		6,389,064	6,819,837
Amortisation expense	5	873,797	806,639
Withholding tax		1,923,152	51,910
Expected Credit Losses		2,882,994	325,918
Total expenses		<u>93,087,658</u>	<u>79,676,591</u>

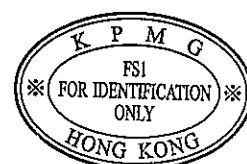


Statement of profit or loss and other comprehensive income for the year ended 31 December 2022 (continued)

(Expressed in Hong Kong dollars)

	Notes	2022 HK\$	2021 HK\$
Finance costs			
- Interest paid to broker	11	668,720	335,823
- Interest expense on lease liabilities		69,751	81,266
- Interest paid for repurchase agreement		1,665,405	444,747
- Interest paid for bank borrowing and overdraft		1,725,275	-
- Interest paid for stock borrowing		112	-
		<u>4,129,263</u>	<u>861,836</u>
Profit before tax		32,064,183	15,609,257
Income tax	22	<u>(878,330)</u>	<u>768,963</u>
Profit and total comprehensive income for the year		<u>31,185,853</u>	<u>16,378,220</u>

The notes on pages 15 to 59 form part of these financial statements.



Statement of changes in equity
for the year ended 31 December 2022
(Expressed in Hong Kong dollars)

	Note	Share capital HK\$	Retained earnings HK\$	Total HK\$
Balance at 1 January 2021		2,534,650,000	35,849,020	2,570,499,020
Issuance of shares	25	1,165,671,900	-	1,165,671,900
Total comprehensive income for the year		-	16,378,220	16,378,220
Balance at 31 December 2021 and 1 January 2022		3,700,321,900	52,227,240	3,752,549,140
Total comprehensive income for the year		-	31,185,853	31,185,853
Balance at 31 December 2022		<u>3,700,321,900</u>	<u>83,413,093</u>	<u>3,783,734,993</u>

The notes on pages 15 to 59 form part of these financial statements.



Statement of cash flows for the year ended 31 December 2022 (Expressed in Hong Kong dollars)

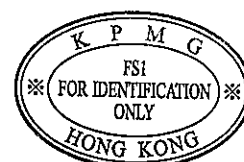
	Notes	2022 HK\$	2021 HK\$
Operating activities			
Profit before tax		32,064,183	15,609,257
Adjustments for:			
Depreciation	4, 6(a)	5,148,759	6,558,514
Amortisation expense	5	873,797	806,639
Interest income from debt securities	19	(45,850,905)	(43,612,444)
Interest income	20	(66,100,975)	(5,363,566)
Finance costs		4,129,263	861,836
Net losses on interest in associates		2,389,142	-
Net loss on disposal of fixed asset	4	-	165,660
Net gain on adjustment of lease liability		-	(20,477)
Unrealised loss on financial assets and financial liabilities at fair value through profit or loss		25,652,248	37,648,695
Unrealised loss/(gain) on foreign exchange		12,829,566	(3,727,008)
Changes in working capital:			
Increase in financial assets measured at amortised cost		(193,192,744)	(63,998,920)
Decrease in financial assets at fair value through profit or loss		746,638,902	142,383,725
Decrease in due from immediate holding company		155,709	4,534,482
Decrease/(increase) in amount due from a fellow subsidiary		35,688,649	(32,844,158)
Decrease/(increase) in deposits and other assets		523,487,444	(1,350,714,426)
(Increase)/decrease in amount due from broker		(964,123,911)	19,584,721
Increase/(decrease) in financial liabilities at fair value through profit or loss		3,752	(7,467,937)
(Decrease)/increase in accrued bonus		(4,923,494)	5,852,844
Increase in accounts payable and accruals		4,887,856	784,972
Decrease in amount due to broker		(3,828,946)	(186,119,505)
Increase in trade and other receivables		34,510,609	120,936,051
(Decrease)/increase in trade and other payables		(83,088,818)	698,553,823
Cash generated from/(used in) operations		67,350,086	(639,587,222)



Statement of cash flows
for the year ended 31 December 2022 (continued)
(Expressed in Hong Kong dollars)

	Notes	2022 HK\$	2021 HK\$
Interest received		109,680,544	50,102,986
Interest paid		(4,129,263)	(780,570)
Tax paid		(1,681,632)	(13,011,777)
Net cash generated from/(used in) operating activities		171,219,735	(603,276,583)
Investing activities			
Payment for the purchase of fixed assets	4	(487,464)	(984,163)
Acquisition of Interest in associates		(75,433,887)	(22,998,012)
Net cash used in investing activities		(75,921,351)	(23,982,175)
Financing activity			
Issuance of shares	25	-	1,165,671,900
Lease payment made		(4,697,033)	(5,961,790)
Net cash (used in)/generated from financing activity		(4,697,033)	1,159,710,110
Net increase in cash and cash equivalents		90,601,351	532,451,352
Cash and cash equivalents at beginning of the year		824,096,214	291,644,862
Cash and cash equivalents at end of the year	14	914,697,565	824,096,214

The notes on pages 15 to 59 form part of these financial statements.



Notes to the financial statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 General

Korea Investment and Securities Asia Limited (the "Company") is a public limited company incorporated in Hong Kong. Its immediate holding company is Korea Investment & Securities Company Limited, a company incorporated in Korea, and its ultimate holding company is Korea Investment Holdings Company Limited, a company incorporated in Korea and listed on Korea Stock Exchange.

The Company is licensed under the Hong Kong Securities and Futures Ordinance to carry out the following regulated activities:

Type 1: Dealing in securities

Type 2: Dealing in futures contracts*

Type 4: Advising on securities

* For Type 2 regulated activity, the Company is subject to licensing condition that it shall only provide services to professional investors. The term "professional investor" is as defined in the Securities and Futures Ordinance and its subsidiary legislation.

The address of the registered office and the principal place of business is Suites 3711-12 & 3716-19, Jardine House, 1 Connaught Place, Central, Hong Kong.

These financial statements are presented in Hong Kong dollars ("HK\$"), unless otherwise stated.

2 Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) and the requirements of the Hong Kong Companies Ordinance. Significant accounting policies adopted by the company are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the company. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the company for the current and prior accounting periods reflected in these financial statements.

2 Significant accounting policies (continued)

(b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the investments in debt and equity securities are stated at their fair value as explained in the accounting policies set out in note 2(d) and 2(e).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

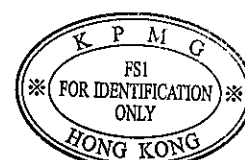
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Changes in accounting policies

The Company has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to HKAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract*



2 Significant accounting policies (continued)

The Company has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKAS 16, Property, plant and equipment: Proceeds before intended use

The amendments prohibit an entity from deducting the proceeds from selling items produced before that asset is available for use from the cost of an item of property, plant and equipment. Instead, the sales proceeds and the related costs should be included in profit and loss. The amendments do not have a material impact on these financial statements as the Company does not sell items produced before an item of property, plant and equipment is available for use.

Amendments to HKAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract

The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Previously, the Company included only incremental costs when determining whether a contract was onerous. In accordance with the transitional provisions, the Company has applied the new accounting policy to contracts for which it has not yet fulfilled all its obligations at 1 January 2022, and has concluded that none of them is onerous.

(d) Investment in associate

An associate is an entity in which the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

In the statement of financial position, other than associates held for capital appreciation are measured at fair value, investment in associate is stated at cost less impairment losses, unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Investments in debt and equity securities

Investments are recognised/decognised on the date the Company commits to purchase/sell the investments or they expire. Investments in debt and equity securities are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Company determines fair value of financial instruments, see note 26(f). These investments are subsequently accounted for as follows, depending on their classification:

2 Significant accounting policies (continued)

(i) Investments other than equity investments

Non-equity investments held by the Company are classified as fair value through profit or loss (FVTPL) when the contractual cash flows of the investment do not represent solely payments of principal and interest. Changes in the fair value of the investment (including interest) are recognised in profit or loss.

If the contractual cash flows of the non-equity investments held by the Company represent solely payments of principal and interest, the investment would be classified as amortised cost, as the Company does not invest in such instruments other than principally to collect those contractual cash flows. Interest income from investments carried at amortised cost is calculated using the effective interest method (see note 2(q)). A loss allowance on investments carried at amortised cost would be recognised with reference to credit losses expected to arise on the instrument, discounted where the effect would be material, and taking into account whether the credit risk of the instrument had increased significantly since initial recognition.

(ii) Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Company makes an irrevocable election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss.

Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 2(q).

(f) **Property, plant and equipment**

Properties and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is calculated to write off their cost, less their estimated residual value, if any, over their estimated useful lives on a straight-line basis at the following annual rates:

- Furniture	33.3%
- Office equipment	33.3%
- Leasehold improvement	33.3%

Both the useful life of an asset and its residual value, if any, are reviewed annually.

2 Significant accounting policies (continued)

The carrying amounts of properties and equipment are reviewed for indications of impairment at the end of each reporting period. An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. The recoverable amount of an asset, or of the cash generating unit to which it belongs, is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(g) Leased assets

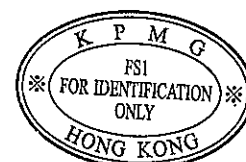
At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

Where the contract contains lease component(s) and non-lease component(s), the Company has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Company recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Company, are primarily laptops and office furniture. When the Company enters into a lease in respect of a low-value asset, the Company decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(f)).



2 Significant accounting policies (continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Company will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 *Leases*. In such cases, the Company has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the statement of financial position, the current portion of long-term lease liabilities is determined as the principal portion of contractual payments that are due to be settled within twelve months after the reporting period.

(h) Intangible assets

Intangible assets that are acquired by the Company are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

The Company has developed the following criteria to identify computer software or licence to be classified as equipment of intangible assets:

- Software or licence that is embedded in computer-controlled equipment, including operating system that cannot operate with that specific software is an integral part of the related hardware and is treated as equipment; and
- Application software that is being used in a computer is generally easily replaced and is not an integral part of the related hardware and is classified as intangible asset.

Software license acquired separately are measured on initial recognition at cost. Following initial recognition, software license are carried at cost less any accumulated amortisation and any accumulated impairment losses. Due to the risk of technological changes, the useful life of all software license are generally assessed as finite and are amortised on a straight-line basis over the estimated economic useful life and assessed for impairment whenever there is an indication that the software licenses may be impaired. The amortization period and the amortization method for software licenses are reviewed at the end of each reporting period. The useful life for software licenses classified as intangible assets is 5 years.

2 Significant accounting policies (continued)

Trading rights

Trading right, representing eligibility right to trade on or through The Hong Kong Stock Exchange Limited (the "Stock Exchange"), with indefinite useful life are tested for impairment annually either individually or at the cash generating unit level. These intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

(i) Due from and due to brokers

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively. The due from brokers balance is held for collection.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Company shall measure the loss allowance on amounts due from broker at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Company shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

(j) Trade and other receivables

A receivable is recognised when the Company has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Company has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses as determined below:

The loss allowance is measured at an amount equal to lifetime expected credit losses (ECLs), which are those losses that are expected to occur over the expected life of the trade receivables. The loss allowance is estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

2 Significant accounting policies (continued)

ECLs are remeasured at each reporting date with any changes recognised as an impairment gain or loss in profit or loss. The Company recognises an impairment gain or loss with a corresponding adjustment to the carrying amount of trade and other receivables through a loss allowance account.

The gross carrying amount of a trade debtor or other receivable is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

The Company has classified the client monies as bank balances held on behalf of clients and recognised a corresponding accounts payable to respective clients on ground that it is liable for any loss or misappropriation of client monies.

(l) Accounts payables and other payables

Accounts and other payables are initially recognised at fair value. Accounts payables and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(i) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees, and no provision is made for the estimated liability for annual leave as annual leave shall not be accumulated to the next leave year and unused leave days shall not be compensated.

2 Significant accounting policies (continued)

(ii) Bonus plan

The Company operates a bonus plan by which it makes its employees eligible for receiving discretionary bonuses based on the performance of the Company and the respective employee. The expected costs of bonus payments are recognised as a liability when the Company has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) Pension obligations

The Company operates a mandatory provident fund scheme ("MPF Scheme") in Hong Kong. The assets of the MPF Scheme are held in a separate trustee-administered fund. Both the Company and the employees are required to contribute 5% of the employees' relevant income up to a maximum of HK\$1,500 per employee per month. The Company's contributions to the MPF Scheme are expensed as incurred.

(n) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

(o) Share capital

Ordinary shares are classified as equity when there is no obligation to transfer cash or other assets.

(p) Provisions and contingent liabilities

Provisions are recognised when the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

2 Significant accounting policies (continued)

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(q) Revenue and other income

Income is classified by the Company as revenue when it arises from the provision of services or the use by others of the Company's assets under leases in the ordinary course of the Company's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Company is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a variable consideration, the Company estimates the amount of consideration which it will be entitled in exchange for transferring the promised goods or services to a customer and includes in the transaction price some or all of the variable consideration estimated, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Company, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Company takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Company's revenue and other income recognition policies are as follows:

- For commission and brokerage income are recognised on a trade date basis when the security brokerage transaction is executed.

2 Significant accounting policies (continued)

- For commission income, the Company satisfies the performance obligation at a point in time when a brokerage client is referred to Korea Investment & Securities Company Limited and the referred client uses the brokerage services.
- For advisory income, the Company transfers the control of advisory service over time and, therefore, satisfies a performance obligation and recognises revenue over time, since Korea Investment & Securities Vietnam Securities Corporation ("KISVSC"), a fellow subsidiary of the Company, simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs. As such, the advisory income is recognised over time.
- Commission and advisory income is recognised when the service has been rendered such that the performance obligation has been completed based on terms of the respective agreements.
- Interest income is accrued on a time-proportionate basis, by reference to the principal outstanding and at the effective interest rate applicable which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.
- Dividend income is recognised when the right to receive payment is established.
- Realised gains or losses on disposal of investments are recognised on a trade date basis when a sale and purchase contract is entered into. Unrealised gains or losses on investments are measured and recognised in accordance with note 2(e).

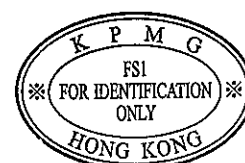
(r) Translation of foreign currencies

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in HK\$, which is the Company's functional and presentation currency.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies and non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

(s) Trust activities

The Company maintains segregated accounts with banks and authorized institutions to hold clients' monies arising from its normal course of business. The Company has classified the clients' monies as cash held on behalf of customers under the current assets section of the statement of financial position and recognised the corresponding accounts payable to respective clients on the grounds that the Company is liable to the clients. Cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

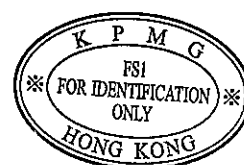


2 Significant accounting policies (continued)

(t) Related parties

- (a) A person, or a close member of that person's family, is related to the Company if that person:
- (i) has control or joint control over the Company;
 - (ii) has significant influence over the Company; or
 - (iii) is a member of the key management personnel of the Company or the Company's parent.
- (b) An entity is related to the Company if any of the following conditions applies:
- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.



3 Accounting judgements and estimates

Management makes estimates and assumptions concerning the future. The resulting accounting estimates may not equal the related actual results. The estimates, assumptions and judgments that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial period are outlined below.

(i) *Determining the lease term*

As explained in policy note 2(g), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Company, the Company evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Company to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Company's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Company's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(ii) *Fair value of level 3 investment funds*

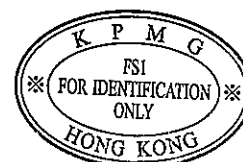
The fair value of the investment funds is estimated by the respective fund managers using applicable valuation models. The estimation of fair value of the fund includes some assumptions not supported by observable market prices or rates. The change of assumptions may have significant impact to the fair value of the investment fund. The carrying amount of level 3 investment funds as at 31 December 2022 was HK\$510,361,757 (2021: HK\$418,808,319). The directors believe that the fund managers applied the appropriate valuation techniques and assumptions in determining the fair value of financial instruments.

4 Property and equipment

	<i>Furniture</i> HK\$	<i>Leasehold improvement</i> HK\$	<i>Office equipment</i> HK\$	<i>Total</i> HK\$
Year ended 31 December 2021				
Opening net book value	118,700	581,905	700,632	1,401,237
Additions	16,800	389,000	130,640	536,440
Depreciation for the year	(92,100)	(437,856)	(397,104)	(927,060)
Disposal	-	(165,660)	-	(165,660)
Closing net book value	<u>43,400</u>	<u>367,389</u>	<u>434,168</u>	<u>844,957</u>
As at 31 December 2021				
Cost	553,145	1,357,121	2,844,428	4,754,694
Accumulated depreciation	<u>(509,745)</u>	<u>(989,732)</u>	<u>(2,410,260)</u>	<u>(3,909,737)</u>
Net book value	<u>43,400</u>	<u>367,389</u>	<u>434,168</u>	<u>844,957</u>
Year ended 31 December 2022				
Opening net book value	43,400	367,389	434,168	844,957
Additions	20,680	-	466,784	487,464
Depreciation for the year	<u>(30,220)</u>	<u>(129,667)</u>	<u>(354,513)</u>	<u>(514,400)</u>
Closing net book value	<u>33,860</u>	<u>237,722</u>	<u>546,439</u>	<u>818,021</u>
As at 31 December 2022				
Cost	573,825	1,357,121	3,311,212	5,242,158
Accumulated depreciation	<u>(539,965)</u>	<u>(1,119,399)</u>	<u>(2,764,773)</u>	<u>(4,424,137)</u>
Net book value	<u>33,860</u>	<u>237,722</u>	<u>546,439</u>	<u>818,021</u>

5 Intangible assets

	Trading right HK\$	Computer & software HK\$	Total HK\$
At 1 January 2021			
Cost	1,000,000	3,921,264	4,921,264
Accumulated amortisation	-	(196,063)	(196,063)
Net book value	<u>1,000,000</u>	<u>3,725,201</u>	<u>4,725,201</u>
During the year ended 31 December 2021			
Opening net book value	1,000,000	3,725,201	4,725,201
Additions	-	447,723	447,723
Amortisation	-	(806,639)	(806,639)
Closing net book value	<u>1,000,000</u>	<u>3,366,285</u>	<u>4,366,285</u>
At 31 December 2021 and 1 January 2022			
Cost	1,000,000	4,368,987	5,368,987
Accumulated amortisation	-	(1,002,702)	(1,002,702)
Net book value	<u>1,000,000</u>	<u>3,366,285</u>	<u>4,366,285</u>
During the year ended 31 December 2022			
Opening net book value	1,000,000	3,366,285	4,366,285
Amortisation	-	(873,797)	(873,797)
Closing net book value	<u>1,000,000</u>	<u>2,492,488</u>	<u>3,492,488</u>
As at 31 December 2022			
Cost	1,000,000	3,921,264	4,921,264
Accumulated amortisation	-	(1,876,499)	(1,876,499)
Net book value	<u>1,000,000</u>	<u>2,492,488</u>	<u>3,492,488</u>



6 Leases

(a) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	2022 HK\$	2021 HK\$
Other properties leased for own use, carried at depreciated cost	<u>9,268,718</u>	<u>2,409,649</u>

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2022 HK\$	2021 HK\$
Depreciation charge of right-of-use assets	<u>4,634,359</u>	<u>5,631,454</u>

During the year, additions and derecognition of right-of-use assets were HK\$11,493,428 (2021: HK\$2,677,388) and \$Nil (2021: HK\$170,672) respectively.

The Company has obtained the right-of-use of other properties as its Hong Kong office through tenancy agreements. The leases typically run for an initial period of 3 to 4 years.

The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company is not reasonably certain to exercise the extension options at lease commencement date, the future lease payments during the extension periods are not included in the measurement of lease liabilities.

During 2022 and 2021, the Company did not receive any rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19.

6 Leases (continued)

(b) Lease liabilities

	<u>31 December 2022</u>		<u>31 December 2021</u>	
	<i>Present value of the lease payments HK\$</i>	<i>Total lease payments HK\$</i>	<i>Present value of the lease payments HK\$</i>	<i>Total lease payments HK\$</i>
Within 1 year	<u>4,725,285</u>	<u>4,766,784</u>	<u>899,418</u>	<u>901,824</u>
After 1 year but within 2 years	<u>4,753,707</u>	<u>4,766,784</u>	<u>1,783,179</u>	<u>1,803,648</u>
	<u>4,753,707</u>	<u>4,766,784</u>	<u>1,783,179</u>	<u>1,803,648</u>
	<u>9,478,992</u>	<u>9,533,568</u>	<u>2,682,597</u>	<u>2,705,472</u>
Less: Total future interest expenses		<u>(54,576)</u>		<u>(22,875)</u>
Present value of lease liabilities		<u>9,478,992</u>		<u>2,682,597</u>

7 Investment in associate

Associates held by the Company held for capital appreciation are measured at fair value in the financial statements, breakdown as below:

	2022 HK\$	2021 HK\$
Clean Energy Transition Fund LP	<u>95,866,264</u>	<u>22,998,012</u>

The following list contains the particulars of the associate, which is unlisted limited partnership whose quoted market price is not available:

Name of associate	Form of business structure	Place of incorporation and business	Particulars of the Fund commitment	Proportion of ownership interest held by the Company	Principal activity
Clean Energy Transition Fund LP	Limited Partnership	Cayman Islands	US\$15,000,000 of US\$28,350,000	52.91%	Investment (Note 1)

Note 1: The investment in Clean Energy Transition Fund LP, a partnership whose investment objective is to invest in clean energy transition companies.

Summarised financial information of the associates, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2022 HK\$
Gross amounts of the associate	
Current assets	205,974,170
Current liabilities	(2,582,666)
Equity	<u>203,391,504</u>
Revenue	7,475,752
Profit before tax	<u>431,521</u>
Reconciled to the interests in the associate	
Gross amounts of net assets of the associate	<u>203,391,504</u>
Effective interest	52.91%
Company's share of net assets of the associate	107,614,445
Less: Capital contribution receivables	<u>(11,748,181)</u>
Carrying amount in the financial statements	<u>95,866,264</u>

8 Financial assets measured at amortised cost

	2022 HK\$	2021 HK\$
Financial assets		
Loans	260,377,267	64,315,022
Less: expected credit loss allowance	<u>(3,185,603)</u>	<u>(316,102)</u>
	<u>257,191,664</u>	<u>63,998,920</u>

9 Statutory deposits

	2022 HK\$	2021 HK\$
The Hong Kong Securities Clearing Company Limited		
- Admission fee deposit	50,000	50,000
- Guarantee fund deposit	908,934	2,787,382
- Mainland security deposit	711,406	245,031
SEHK		
- Fidelity fund and compensation fund deposit	100,000	100,000
- Stamp duty deposit	30,000	150,000
HKFE Clearing Corporation Limited		
- Reserve fund deposit	22,478,045	44,689,089
- Client deposit	776,790,413	740,324,195
- House deposit	27,383,535	18,418,076
	<u>828,452,333</u>	<u>806,763,773</u>

10 Deposits and other assets

	2022 HK\$	2021 HK\$
Non-current		
Rental and other deposits	<u>1,529,701</u>	<u>1,808,346</u>
Current		
Prepayments and other deposits	5,741,941	4,981,050
Time deposit with maturity date over 3 months	-	389,890,150
Negotiable certificate of deposit with maturity date over 3 months	-	155,768,100
	<u>5,741,941</u>	<u>550,639,300</u>

11 Amount due from/to broker

	2022 HK\$	2021 HK\$
Amount due from broker		
Deposit	<u>973,604,189</u>	<u>9,480,278</u>
Amount due to broker		
Overdraft (note)	756,744	4,414,342
Deposit	<u>216,692</u>	<u>388,040</u>
	<u>973,436</u>	<u>4,802,382</u>

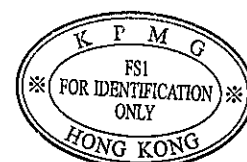
Note: The overdraft amount bears interest at overnight reference rate plus 61 basis points (2021: overnight reference rate plus 61 basis points). The interest amount paid during the year amounted to HK\$668,720 (2021: HK\$335,823). Custody assets, deposits and debt securities, which broker takes custody of, have been pledged as security against overdraft facilities granted to the Company by broker.

12 Amounts due from immediate holding company and a fellow subsidiary

Amount due from immediate holding company and amount due from a fellow subsidiary represent commission income receivable in accordance with written service agreements. The balances are unsecured, non-interest bearing and repayable on demand. Refer to note 24 for details.

13 Financial assets and financial liabilities at fair value through profit or loss

	2022 HK\$	2021 HK\$
Financial assets		
Loans	361,033,925	-
Equity securities	19,683,927	21,269,584
Debt securities	775,581,611	1,539,132,967
Collective investment funds	154,402,968	268,020,496
Fund	149,327,832	418,808,319
Derivatives	<u>3,708,386</u>	<u>1,451,506</u>
	<u>1,463,738,649</u>	<u>2,248,682,872</u>
Financial liabilities		
Derivatives	<u>(229,875)</u>	<u>(226,123)</u>
	<u>(229,875)</u>	<u>(226,123)</u>



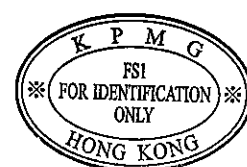
14 Cash and cash equivalents

	2022 HK\$	2021 HK\$
Bank balances at authorised financial institutions:		
(i) General accounts		
- Cash	268,322,348	356,228,034
- Time deposit with original maturity of 3 months or less	646,375,217	467,868,180
(ii) Segregated accounts - cash	385,341,575	323,710,493
Cash and bank balances	1,300,039,140	1,147,806,707
Less: Client's monies in segregated trust accounts	(385,341,575)	(323,710,493)
	<u>914,697,565</u>	<u>824,096,214</u>

15 Trade and other receivables

	2022 HK\$	2021 HK\$
Accounts receivable arising from the ordinary course of business of dealing in securities (Note):		
Cash clients - intermediate holding company	4,013,792	28,097,892
Clearing house	7,587,325	28,130,645
	<u>11,601,117</u>	<u>56,228,537</u>
Other receivables, deposits and prepayments	10,442,129	325,318
	<u>22,043,246</u>	<u>56,553,855</u>

The majority of the Company's account receivables, particularly those arising from the ordinary course of business of dealing and broking, are revolving in nature.



16 Trade and other payables

	2022 HK\$	2021 HK\$
Accounts receivable arising from the ordinary course of business of dealing in securities and futures:		
Clients		
- third parties	20,132,925	32,219
- intermediate holding company	1,144,513,521	1,126,466,185
Clearing house	5,206,977	73,312,695
	<u>1,169,853,423</u>	<u>1,199,811,099</u>
Commission payable to intermediate holding company	8,499,940	-
	<u>1,178,353,363</u>	<u>1,199,811,099</u>

17 Income tax in statement of financial position

Current taxation in the statement of financial position represents:

	2022 HK\$	2021 HK\$
Provision for Hong Kong Profits Tax for the year	-	-
Provisional Profits Tax paid	-	(9,805,482)
	<u>-</u>	<u>(9,805,482)</u>
Balance of Profits Tax provision relating to prior years	(9,805,482)	-
Income tax recoverable	<u>(9,805,482)</u>	<u>(9,805,482)</u>

Deferred tax liabilities/(assets) recognised:

Deferred income tax is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2021: 16.5%). In accordance with the accounting policy set out in note 2(n), the Company has not recognised deferred tax assets in respect of cumulative tax losses of HK\$95,372,625 (2021: Nil) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses do not expire under current tax legislation.

17 Income tax in statement of financial position (continued)

The movement in deferred tax (assets)/liabilities during the year is as follows:

	<i>Depreciation allowances in excess of the related depreciation HK\$</i>	<i>Credit loss allowance HK\$</i>	<i>Other provision HK\$</i>	<i>Total HK\$</i>
Year ended 31 December 2021				
At the beginning of the year	640,626	-	-	640,626
Released to the statement of comprehensive income (Note 22(a))	(219,525)	-	-	(219,525)
At the end of the year	<u>421,101</u>	<u>-</u>	<u>-</u>	<u>421,101</u>
Year ended 31 December 2022				
At the beginning of the year	421,101	-	-	421,101
Released to the statement of comprehensive income (Note 22(a))	(69,414)	(529,470)	(204,418)	(803,302)
At the end of the year	<u>351,687</u>	<u>(529,470)</u>	<u>(204,418)</u>	<u>(382,201)</u>

18 Fee income

	2022 HK\$	2021 HK\$
Commission income from client referral (Note 24(a)(i))	15,551,651	29,532,033
Commission income from acquisition financing (Note 24(a)(ii))	2,223,989	13,847,649
Commission income from securities and futures dealing	6,471,269	8,616,592
Advisory income (Note 24(a)(iii))	1,300,366	35,688,649
	<u>25,547,275</u>	<u>87,684,923</u>

19 Net losses on financial assets and financial liabilities at fair value through profit or loss

	2022 HK\$	2021 HK\$
Net Trading and investment loss		
- Net loss on financial assets at fair value through profit and loss	(138,357,926)	(73,492,671)
- Net gain on derivative financial instruments	148,747,388	43,740,038
- Net loss on fund at fair value through profit and loss	(16,827,183)	(35,545,430)
	<u>(6,437,721)</u>	<u>(65,298,063)</u>

20 Interest income

	2022 HK\$	2021 HK\$
Interest income from loans	<u>51,569,054</u>	<u>3,737,555</u>
Other interest income from		
- Authorized institutions	14,194,843	1,558,993
- Others	337,078	67,018
	<u>14,531,921</u>	<u>1,626,011</u>

21 Staff costs

	2022 HK\$	2021 HK\$
Salaries	33,855,711	29,742,861
Bonuses	6,263,512	11,158,923
Pension costs - MPF Scheme	540,810	507,655
Welfare	77,896	33,301
Directors' emolument (Note 24(b))	2,339,178	2,876,035
	<u>43,077,107</u>	<u>44,318,775</u>

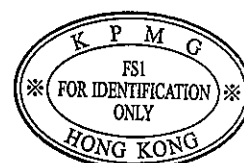
22 Income tax in statement of profit or loss and other comprehensive income

(a) Taxation charged to profit or loss:

	2022 HK\$	2021 HK\$
Current Profits Tax		
Provision of Hong Kong profits tax for the year	-	-
Under/over-provision in respect of prior years	1,681,632	(549,438)
	<u>1,681,632</u>	<u>(549,438)</u>
Deferred tax		
Origination and reversal of temporary differences (note 17)	(803,302)	(219,525)
	<u>878,330</u>	<u>(768,963)</u>

In March 2018, the Hong Kong Government introduced a two-tiered profits tax rate regime by enacting the Inland Revenue (Amendment) (No. 3) Ordinance 2018 (the "Ordinance"). Under the two-tiered profits tax rate regime, the first HK\$2 million of assessable profits of qualifying corporations is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The Ordinance is effective from the year of assessment 2018/19.

The Company has adjusted losses for the year ended 31 December 2022, which cannot meet the conditions of applying two-tiered profits tax rate regime, the normal profit tax rate, i.e. 16.5%, is therefore applied.



22 Income tax in statement of profit or loss and other comprehensive income (continued)

(b) Reconciliation between tax expense (reversed)/ charged to profit or loss and accounting profit at applicable tax rates:

	2022 HK\$	2021 HK\$
Profit before tax	<u>32,064,183</u>	<u>15,609,257</u>
Notional tax on profit before taxation	5,290,590	2,528,700
Tax effect of non-deductible expenses	2,073,487	(45,985)
Tax effect of non-taxable income	(23,687,587)	(2,773,355)
Under/(over)-provision in prior years	1,681,632	(549,438)
Tax effect of tax losses not recognised	15,736,483	-
Others	<u>(216,275)</u>	<u>71,115</u>
Tax credit/(expense) for the year	<u>878,330</u>	<u>(768,963)</u>

23 Commitments

The outstanding capital commitment on the fund investments and on Investment in associate not provided for in the financial statements at 31 December 2022 is approximately HK\$140.4m (2021: HK\$233.8m).

24 Related party transactions

(a) Fee income from related parties

(i) Commission income from client referral

The Company provides client referral services to Korea Investment & Securities Company Limited (immediate holding company of the Company). Commission income represents the sharing of brokerage commissions received by Korea Investment & Securities Company Limited on the trades mainly in Korean listed investments as entered into by the clients referred by the Company. In accordance with the fully disclosed clearing agreements for the respective clients referred by the Company, the Company earns a certain percentage of the commissions received by Korea Investment & Securities Company Limited on the trades entered into by these clients.

24 Related party transactions (continued)

An amount of HK\$15,551,651 was earned from Korea Investment & Securities Company Limited (2021: HK\$29,532,033), with a receivable of HK\$839,567 as at 31 December 2022 (2021: HK\$995,276). The amount has been settled as of the date of the report.

(ii) Commission income/expenses for acquisition financing

The Company entered into the business cooperation agreement with Korea Investment & Securities Company Limited (immediate holding company of the Company) to conduct business activities related to investment banking business. Korea Investment & Securities Company Limited shall allocate the Company with appropriate revenue according to the agreement. The Company and Korea Investment & Securities Company Limited cooperated and conducted business activities together in relation to acquisition financing business.

During the year, an amount of HK\$8,499,940 was charged by (2021: an amount of HK\$3,878,522 was earned from) Korea Investment & Securities Company Limited, with payable of HK\$8,499,940 as at 31 December 2022 (2021: Nil).

(iii) Advisory income

The Company entered the agreement with KISVSC. KISVSC is a fellow subsidiary of the Company, and the purpose of agreement is for Company to provide support to KISVSC relating to the latter's issuance/sales of covered warrant, which are listed and traded on the Ho Chi Minh Stock Exchange in Vietnam, and liquidity provision etc. The agreement was terminated on 31 December 2021.

Neither advisory income was recorded for the year ended 31 December 2022 (2021: HK\$35,688,649) from KISVSC, nor any receivable was outstanding as at 31 December 2022 (2021: HK\$35,688,649).

(iv) Commission income from securities and futures dealing

The Company is providing securities and futures dealing services to Korea Investment & Securities Company Limited and charges commission income based on the trades.

24 Related party transactions (continued)

(b) Key management compensation

The directors are considered to be the key management of the Company. The following disclosures are made pursuant to section 383(1)(a) to (f) of the Hong Kong Companies Ordinance (Cap. 622) and parts 2 to 4 of the Hong Kong Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G).

The remuneration of directors for the year ended 31 December is set out below:

	Salary HK\$	Discretionary bonuses HK\$	Employer's contribution to a retirement benefit scheme HK\$ HK\$	Total HK\$
2022	2,066,602	254,576	18,000	2,339,178
2021	2,029,400	828,635	18,000	2,876,035

During the year ended 31 December 2022 and 2021, no defined benefit pension plan was operated by the Company, and therefore no retirement benefits were paid to the directors in respect of directors services as directors of the Company. No other retirement benefits were paid to the directors in respect of directors' other services in connection with the management of the affairs of the Company or its subsidiary undertaking for the year ended 31 December 2022 and 2021.

During the year ended 31 December 2022 and 2021, no termination benefits nor considerations provided to third parties for making available directors' services were paid.

As at 31 December 2022 and 2021, there was no loans, quasi-loans nor other dealings entered into by the Company in favour of the directors, controlled bodies corporate by and connected entities with the directors.

Save for contracts amongst group companies, no significant transaction, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a directors of the Company had a material interest, whether directly, or indirectly, subsisted at the end of the year or at any time during the year.

25 Share capital

(a) Issued share capital

	2022		2021	
	No. of shares	HK\$	No. of shares	HK\$
Ordinary shares, issued and fully paid:				
At 1 January	475,000,000	3,700,321,900	325,000,000	2,534,650,000
Shares issued (Note)	-	-	150,000,000	1,165,671,900
At 31 December	<u>475,000,000</u>	<u>3,700,321,900</u>	<u>475,000,000</u>	<u>3,700,321,900</u>

Note: Pursuant to written resolution passed on 20 July 2021, 150,000,000 shares of the Company was issued to Korea Investment & Securities Co., Limited, the immediate holding company, for a consideration of USD150,000,000.

Ordinary shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid on the shares held.

(b) Capital management

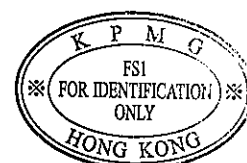
The Company's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost. As the Company is part of a larger group, the Company's sources of additional capital and policies for distribution of excess capital may also be affected by the group's capital management objectives.

The Company defines "capital" as including all components of equity. Accordingly, the capital balance as at 31 December 2022 is HK\$3,783,734,993 (2021: HK\$3,752,549,140).

The Company's capital structure is regularly reviewed and managed with due regard to the capital management practices of the group to which the Company belongs. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Company or the group, to the extent that these do not conflict with the directors' fiduciary duties towards the Company or the requirements of the Hong Kong Companies Ordinance.

The Company is also subject to regulatory capital requirement imposed by the Hong Kong Securities and Futures Commission (the "SFC") under the Securities and Futures (Financial Resources) Rules (the "SF(FR)R"). Capital adequacy and utilisation of regulatory capital are monitored daily by the Company's management in accordance with the SF(FR)R.

The Company is required to report its liquid capital on a monthly basis and has complied with the liquid capital requirement under the SF(FR)R at each reporting date throughout the periods ended 31 December 2022 and 2021.



25 Share capital (continued)

The Company currently has a legally enforceable right to set-off the Continuous Net Settlement ("CNS") money obligations receivables and payables with Hong Kong Securities Clearing Company Limited ("HKSCC"); and the Company settles on a net basis as account receivables from or account payables to HKSCC. For the net amount of CNS money obligations receivables or payables with HKSCC and Guarantee Fund placed with HKSCC, they do not meet the criteria for offsetting in the financial statements and the Company does not intend to settle the balances on a net basis.

26 Financial risk management objectives and policies

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Company's business. App 1D, 13(2),
13(3), 13(4)

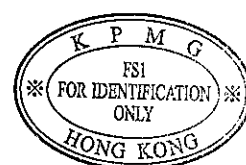
The directors manage and monitor this exposure to ensure appropriate measures are implemented in timely and effective manner.

The following is a summary of the main risks and risk management policies.

(a) Foreign currency risk

The Company is exposed to currency risks primarily arising from financial instruments that are denominated in United States dollars ("USD"). As the HK\$ is pegged to the USD, the Company considers the risk of movements in exchange rates between the HK\$ and the USD to be insignificant. In respect of financial instruments denominated in other currencies, the Company ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

The following table details the Company's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in HK\$, translated using the spot rate at the year-end date.



26 Financial risk management objectives and policies (continued)

As at 31 December 2022	Exposure to major foreign currencies (expressed in Hong Kong dollars)						
	KRW HK\$	EUR HK\$	VND HK\$	AUD HK\$	NZD HK\$	CNY HK\$	MXN HK\$
Statutory deposits	-	-	-	-	-	2,892,409	-
Financial assets at fair value through profit or loss	-	31,032,208	-	46,123,559	366,155,700	-	-
Financial assets measured at amortised cost	-	-	-	86,507,710	98,951,700	-	-
Trade and other receivables	-	-	-	1,253,059	8,495,783	17,893	-
Cash and balance with banks	12,346	-	-	1	1	5,487,641	-
Amounts due from broker	-	2,547	-	-	-	204	836,136
Amount due from fellow subsidiaries	-	-	-	-	-	-	-
Amount due from immediate holding company	839,567	-	-	-	-	-	-
Interest receivables	-	-	-	301,710	186,721	1,587	-
Deposits and other assets	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	-
Amount due to broker	-	-	-	(2,306)	-	-	-
Trade and other payables	-	-	-	-	-	(2,231,715)	-
Net exposure arising from recognised assets and liabilities	851,913	31,034,755	-	134,183,733	473,789,905	6,168,019	836,136



26 Financial risk management objectives and policies (continued)

As at 31 December 2021	Exposure to major foreign currencies (expressed in Hong Kong dollars)						
	KRW HK\$	EUR HK\$	VND HK\$	AUD HK\$	NZD HK\$	CNY HK\$	MXN HK\$
Statutory deposits	-	-	-	-	-	245,339	-
Financial assets at fair value through profit or loss	375,393,842	14,573,255	-	29,351,451	-	-	-
Financial assets measured at amortised cost	-	-	-	64,947,800	-	-	-
Trade and other receivables	-	-	-	86,473	-	-	-
Cash and balance with banks	11,254	-	-	6	-	4,240,034	-
Amounts due from broker	6,641	-	-	-	-	1,813,386	737,994
Amount due from fellow subsidiaries	-	-	35,688,649	-	-	-	-
Amount due from immediate holding company	995,276	-	-	-	-	-	-
Interest receivables	-	-	-	675,267	-	-	-
Deposits and other assets	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	(157,890)	-	-	(2)	-	-	-
Amount due to broker	-	(69,546)	-	(2,419)	-	-	-
Trade and other payables	-	-	-	-	-	(3,731,531)	-
Net exposure arising from recognised assets and liabilities	376,249,123	14,503,709	35,688,649	95,058,576	-	2,567,228	737,994

26 Financial risk management objectives and policies (continued)

Sensitivity analysis

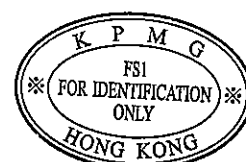
The following table indicates the instantaneous change in the Company's profit before tax (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Company has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would not be materially affected by any changes in movement in value of the United States dollar against other currencies.

	Increase/ (decrease) in exchange rate HK\$	Change in equity attributable to shareholders HK\$
As at 31 December 2022		
<i>Currency</i>		
KRW	+/- 10%	+/- 85,191
EUR	+/- 10%	+/- 3,103,475
VND	+/- 5%	-
AUD	+/- 10%	+/- 13,418,373
NZD	+/- 10%	+/- 47,378,990
CNY	+/- 5%	+/- 308,401
MXN	+/- 5%	+/- 41,807
As at 31 December 2021		
<i>Currency</i>		
KRW	+/- 10%	+/- 37,624,912
EUR	+/- 10%	+/- 1,450,371
VND	+/- 5%	+/- 1,784,432
AUD	+/- 10%	+/- 9,505,858
NZD	+/- 10%	-
CNY	+/- 5%	+/- 128,361
MXN	+/- 5%	+/- 36,900

26 Financial risk management objectives and policies (continued)

Outstanding foreign exchange forward contracts and exchange traded foreign exchange futures entered directly by the Company as at 31 December 2022 and 2021 are as follows:

	<i>Notional amount HK\$</i>	<i>Fair value HK\$</i>
As at 31 December 2022		
Financial assets at fair value through profit or loss		
Foreign exchange forward contracts		
- Buy USD/Sell AUD	7,921,347	66,236
- Buy USD/Sell NZD	470,020,575	3,642,150
Total	<u>477,941,922</u>	<u>3,708,386</u>
Financial liabilities at fair value through profit or loss		
Foreign exchange forward contracts		
- Buy USD/Sell AUD	(79,213,470)	(229,875)
Total	<u>(79,213,470)</u>	<u>(229,875)</u>
	<i>Notional amount HK\$</i>	<i>Fair value HK\$</i>
As at 31 December 2021		
Financial assets at fair value through profit or loss		
Foreign exchange forward contracts		
- Buy USD/Sell AUD	56,494,770	510,229
Total	<u>56,494,770</u>	<u>510,229</u>
Financial liabilities at fair value through profit or loss		
Foreign exchange forward contracts		
- Buy USD/Sell KRW	(381,010,916)	(157,890)
- Buy USD/Sell AUD	(8,474,216)	(1)
Total	<u>(389,485,132)</u>	<u>(157,891)</u>



26 Financial risk management objectives and policies (continued)

(b) Interest rate risk

The Company's interest rate risk arises primarily from investments in debt instruments and bank deposits. The fair value of the Company's fixed rate securities will be affected by changes in prevailing external interest rates. The cash flows receivable from the Company's investments in variable rates securities will vary with changes in prevailing external interest rates.

(i) Interest rate profile

The following table details the interest rate profile of the Company's interest-bearing financial instruments at the end of the reporting period:

	2022		2021	
	Effective interest rate	Amount HK\$	Effective interest rate	Amount HK\$
Assets				
<i>Fixed rate instruments</i>				
Cash and cash equivalents	0% - 4.85%	653,663,923	0% - 1%	913,872,617
Debt instruments classified as financial assets at fair value through profit or loss	0.8% - 4%	775,581,611	0.8% - 8%	1,539,132,967
<i>Variable rate instruments</i>				
Loans classified as financial assets at fair value through profit or loss	4.25% - 8.73%	361,033,925	N/A	-
Loans classified as financial assets measured at amortised cost	4.25% - 8.73%	257,191,664	4.5% - 4.75%	63,998,920
Overdraft	Overnight reference rate + 0.61%	756,744	Overnight reference rate + 0.61%	4,414,342

(ii) Sensitivity analysis

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. It is estimated that a general increase/decrease of 50 basis points in interest rates, with all other variables held constant, would have decreased/increased the profit after tax and retained profits by approximately HK\$9,743,442 (2021: increase/decrease by HK\$3,399,692).

26 Financial risk management objectives and policies (continued)

(c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Company. The Company's credit risk is primarily attributable to debt securities, over-the-counter derivatives, loans, trade and other receivables, interest receivable, amount due from immediate holding company, amount due from fellow subsidiaries, amount due from broker, and cash at bank and non-bank financial institutions.

For investments in debt securities, management regularly reviews the latest credit standing of counterparties and did not expect any investment counterparties to fail to meet its obligations as at 31 December 2022 and 31 December 2021. In addition, all purchase and disposal decisions are supervised by the management.

At the end of the reporting period, all the debt securities are issued by corporate entities with sound credit rating. Management considers the Company is not exposed to any significant credit risk on debt securities. In respect of over-the-counter derivatives, management considers credit risk is not significant due to the high credit standing of the counterparties.

At the end of the reporting period, all the loans has sound credit rating and management considers credit risk is not significant.

The Company's cash and deposit balances at banks are placed with licensed banks with sound reputation. Management does not expect any failure on the part of the counterparties in meeting the obligations.

In respect of cash at non-bank financial institutions, trade and other receivables, management considers credit risk is not significant due to the high credit standing of counterparties and good credit history of making payments when the amounts fall due.

Management considers the Company is not exposed to any significant credit risk on exposure from amount due from immediate holding company, amount due from fellow subsidiaries and amount due from a subsidiary as these companies are under same group with strong financial background.

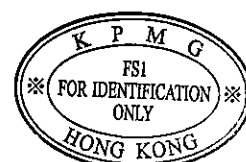
26 Financial risk management objectives and policies (continued)

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance.

	2022 HK\$	2021 HK\$
Financial assets at fair value through profit or loss		
- Loans	361,033,925	-
- Debt securities	775,581,611	1,539,132,967
- Over-the-counter derivatives	3,708,386	510,229
Financial assets measured at amortised cost	257,191,664	63,998,920
Cash and cash equivalents	1,300,039,140	1,147,806,707
Interest receivable	14,748,769	12,477,433
Amount due from immediate holding company	839,567	995,276
Amount due from a fellow subsidiary	-	35,688,649
Amount due from broker	973,604,189	9,480,278
Trade and other receivables	22,043,246	56,553,855
	<u>3,708,790,497</u>	<u>2,866,644,314</u>

The credit risk on the amounts due from immediate holding company and fellow subsidiary are limited as those balances are repayable on demand and in the opinion of the directors, the probability of failure to discharge their obligation by the immediate holding company is remote.

The Company measures credit risk associated with interest receivables, amounts due from related parties, amount due from broker and cash and cash equivalents and expected credit losses using probability of default, exposure at default and loss given default (2021: amounts due from related parties, amount due from broker and cash and cash equivalents and expected credit losses using probability of default, exposure at default and loss given default). The management considers both historical analysis and forward looking information in determining any expected credit loss from such financial assets. The management has assessed that all of the above financial assets aforementioned as at 31 December 2022 and 31 December 2021 are stage 1 assets under HKFRS 9, i.e. financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. At 31 December 2022 and 31 December 2021, management considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be considered insignificant to the Company.



26 Financial risk management objectives and policies (continued)

The table on the following page presents the Company's financial assets and liabilities subject to offsetting and similar agreements. The tables are presented by types of financial instrument. Financial instruments subject to offsetting and similar agreements:

	A	B	C=A-B	D Related amounts not set-off in the statement of financial position		E=C-D
				D(i)	D(ii)	
	Gross amounts of recognised financial assets HK\$	Gross amounts of recognised financial liabilities set- off in the statement of financial position HK\$	Net amounts of financial assets presented in the statement of financial position HK\$	Financial Instruments HK\$	Cash Collateral received HK\$	Net Amount HK\$
As at 31 December 2022						
Financial assets						
Forward contracts	3,708,386	-	3,708,386	-	-	3,708,386
Amount due from broker	973,604,189	-	973,604,189	(756,744)	-	972,847,445
Total	<u>977,312,575</u>	<u>-</u>	<u>977,312,575</u>	<u>(756,744)</u>	<u>-</u>	<u>976,555,831</u>
Financial liabilities						
Forward contracts	(229,875)	-	(229,875)	-	-	(229,875)
Amount due to broker	(973,436)	-	(973,436)	756,744	-	(216,692)
Total	<u>(1,203,311)</u>	<u>-</u>	<u>(1,203,311)</u>	<u>756,744</u>	<u>-</u>	<u>(446,567)</u>

26 Financial risk management objectives and policies (continued)

	A	B	C=A-B	D		E=C-D
				Related amounts not set-off in the statement of financial position		
				D(i)	D(ii)	
	Gross amounts of recognised financial assets HK\$	Gross amounts of recognised financial liabilities set-off in the statement of financial position HK\$	Net amounts of financial assets presented in the statement of financial position HK\$	Financial Instruments HK\$	Cash Collateral received HK\$	Net Amount HK\$
As at 31 December 2021						
Financial assets						
Forward contracts	510,229	-	510,229	-	-	510,229
Futures contracts	941,277	-	941,277	-	-	941,277
Amount due from broker	9,480,278	-	9,480,278	(2,551,380)	-	6,928,898
Total	10,931,784	-	10,931,784	(2,551,380)	-	8,380,404
Financial liabilities						
Forward contracts	(157,891)	-	(157,891)	-	-	(157,891)
Futures contracts	(68,232)	-	(68,232)	-	-	(68,232)
Amount due to broker	(4,802,382)	-	(4,802,382)	2,551,380	-	(2,251,002)
Total	(5,028,505)	-	(5,028,505)	2,551,380	-	(2,477,125)

Amounts in D(i) and D(ii) above relate to amounts subject to set-off that do not qualify for offsetting under (B) above. This includes (i) amounts which are subject to set-off against the asset (or liability) disclosed in 'A' which have not been offset in the statement of financial position, and (ii) any financial collateral (including cash collateral), both received and pledged.

The Company and its counterparty have elected to settle all transactions on a gross basis however, each party has the option to settle all open contracts on a net basis in the event of default of the other party. Per the terms of the master netting agreement, an event of default includes the following:

- failure by a party to make payment when due;
- failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied within 30 days after notice of such failure is given to the party;
- bankruptcy.

26 Financial risk management objectives and policies (continued)

(d) Liquidity risk

Liquidity risk is the risk that the Company may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

In the management of liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the director to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month HK\$	1 month to less than 3 months HK\$	Over 3 months HK\$	Total HK\$
As at 31 December 2022				
Amount due to broker	973,436	-	-	973,436
Accrued bonus	-	6,493,163	1,238,894	7,732,057
Accounts payable and accruals	6,088,257	-	971,400	7,059,657
Lease liabilities	397,232	794,464	8,341,872	9,533,568
Financial liabilities at fair value through profit or loss	-	-	229,875	229,875
Trade and other payables	1,158,220,438	-	20,132,925	1,178,353,363
Contractual cash outflow	1,165,679,363	7,287,627	30,914,966	1,203,881,956
As at 31 December 2021				
Amount due to broker	4,802,382	-	-	4,802,382
Accrued bonus	-	10,403,982	2,251,569	12,655,551
Accounts payable and accruals	1,308,801	-	863,000	2,171,801
Lease liabilities	75,152	149,741	2,457,704	2,682,597
Financial liabilities at fair value through profit or loss	157,891	68,232	-	226,123
Trade and other payables	1,199,778,881	-	32,218	1,199,811,099
Contractual cash outflow	1,206,123,107	10,621,955	5,604,491	1,222,349,553

As at 31 December 2022, based on the earliest date on which the Company can realise the assets, HK\$ 1,300,878,707 (2021: HK\$1,148,801,983) of the financial assets are receivable within one month or have no stated maturity and therefore considered callable on demand.

26 Financial risk management objectives and policies (continued)

(e) Fair value measurement

Financial instruments carried at fair value

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1 - Quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Company determines fair values using valuation techniques. Valuation techniques include net asset value as provided by investment fund managers, comparison to similar instruments for which market observable prices exist, and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value measurement that reflects the price of the financial instrument that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the reporting date.

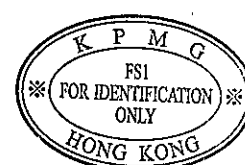
The Company uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over-the-counter (OTC) derivatives like interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

26 Financial risk management objectives and policies (continued)

App ID, 13(1)

The following table analyses within the fair value hierarchy of the Company's financial assets measured at fair value:

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
As at 31 December 2022				
Assets				
Financial assets at fair value through profit or loss				
Investment				
- Loans	-	-	361,033,925	361,033,925
- Equity securities	19,683,927	-	-	19,683,927
- Debt securities	-	775,581,611	-	775,581,611
- Collective Investment Securities	154,402,968	-	-	154,402,968
- Fund	-	-	149,327,832	149,327,832
Derivatives				
- Forward contracts	-	3,708,386	-	3,708,386
	<u>174,086,895</u>	<u>779,289,997</u>	<u>510,361,757</u>	<u>1,463,738,649</u>
Liabilities				
Financial liabilities at fair value through profit or loss				
Derivatives				
- Forward contracts	-	(229,875)	-	(229,875)
	<u>-</u>	<u>(229,875)</u>	<u>-</u>	<u>(229,875)</u>



26 Financial risk management objectives and policies (continued)

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
As at 31 December 2021				
Assets				
Financial assets at fair value through profit or loss				
Investment				
- Equity securities	21,269,584	-	-	21,269,584
- Debt securities	-	1,539,132,967	-	1,539,132,967
- Collective Investment Securities	268,020,496	-	-	268,020,496
- Fund	-	-	418,808,319	418,808,319
Derivatives				
- Futures contracts	941,277	-	-	941,277
- Forward contracts	-	510,229	-	510,229
	<u>290,231,357</u>	<u>1,539,643,196</u>	<u>418,808,319</u>	<u>2,248,682,872</u>
Liabilities				
Financial liabilities at fair value through profit or loss				
Derivatives				
- Futures contracts	(68,233)	-	-	(68,233)
- Forward contracts	-	(157,890)	-	(157,890)
	<u>(68,233)</u>	<u>(157,890)</u>	<u>-</u>	<u>(226,123)</u>

During the year there were no transfers between instruments in Level 1, Level 2 and Level 3.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of the unquoted debt securities is determined by discounting the future coupons and principal amount. The discount rate used is derived with reference to debt securities with similar risk profile.

The fair value of the foreign currency forward contracts is the discounted amount that the group would receive or pay at maturity date, taking into account the current interest rates of the underlying currencies and the creditworthiness of the counterparty.



26 Financial risk management objectives and policies (continued)

Valuation techniques and significant unobservable inputs used in Level 3 fair value measurements

	Fair value at 31 December 2022 HK\$	Fair value at 31 December 2021 HK\$	Valuation technique	Unobservable input	Range for unobservable input	Sensitivity to changes in unobservable input
Unlisted investment funds	149,327,832	418,808,319	Net asset value	Liquidity lock-up/ no right of withdrawal	N/A	The estimated fair value would decrease if the liquidity lock-up discount is higher
Unlisted loans	361,033,925	-	The present value of cash flows discounted	Discount Rate	7.13% to 7.88% p.a.	The estimated fair value would increase if discount rate decrease
	<u>510,361,757</u>	<u>418,808,319</u>				

The fund held by the Company is a Level 3 investments which the Company values based on the shareholding percentage of the net asset value of the fund as at year-end date.

The loans held by the Company is a Level 3 investments which the Company values based on the present values of future cash flows, discounted at interest rates based on the government yield curve as at the end of the reporting period plus an adequate constant credit spread, adjusted for the company's own credit risk.

For year ended 31 December 2022 and 2021, there were no transfers between levels.

The movements during the year in the balance of these Level 3 investments are as follows:

	2022 HK\$	2021 HK\$
Unlisted investment funds:		
At 1 January	418,808,319	1,219,601
Additions	1,419,718,716	421,728,249
Disposals	(1,329,089,482)	-
Accrued interests	3,866,455	-
Unrealised gain/(loss) recognised, net	782,893	(4,139,531)
Exchange loss, net	(3,725,144)	-
At 31 December	<u>510,361,757</u>	<u>418,808,319</u>
Total gain/(loss) for the year included in profit or loss for assets held at the end of the reporting period	<u>782,893</u>	<u>(4,139,531)</u>

27 Subsequent event

There have been no matters or circumstances that have arisen since the end of the financial period, which significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the status.

28 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2022

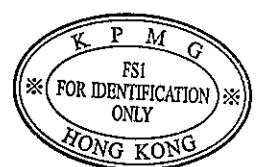
Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, which are not yet effective for the year ended 31 December 2022 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Company.

	Effective for accounting periods beginning on or after
HKFRS 17, <i>Insurance contracts</i>	1 January 2023
Amendments to HKAS 1, <i>Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies</i>	1 January 2023
Amendments to HKAS 8, <i>Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates</i>	1 January 2023
Amendments to HKAS 12, <i>Income Taxes: Deferred tax related to assets and liabilities arising from a single transaction</i>	1 January 2023
Amendments to HKAS 1, <i>Presentation of financial statements: Classification of liabilities as current or non-current</i>	1 January 2024
Amendments to HKAS 1, <i>Presentation of financial statements: Non-current liabilities with covenants</i>	1 January 2024
Amendments to HKFRS 16, <i>Leases: Lease liability in a sale and leaseback</i>	1 January 2024

The Company is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the financial statements.

APPENDIX 6
OUR UNAUDITED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

Our unaudited financial statements for the six months ended 30 June 2023 are set out in this Appendix 6. References to page numbers on the following pages are to the page numbers of such unaudited financial statements.



KOREA INVESTMENT AND SECURITIES ASIA LIMITED

韓國投資證券亞洲有限公司

(Incorporated in Hong Kong with limited liability)

Interim Financial Report

For the six months ended 30 June 2023

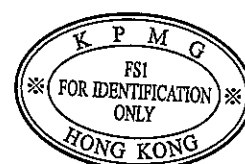


KOREA INVESTMENT AND SECURITIES ASIA LIMITED
韓國投資證券亞洲有限公司

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Notes	At 30 June 2023 HK\$ (Unaudited)	At 31 December 2022 HK\$ (Audited)
ASSETS			
Non-current assets			
Property and equipment	3	624,412	818,021
Intangible assets	4	3,055,589	3,492,488
Right-of-use assets	5(a)	6,951,538	9,268,718
Investment in associate	6	96,794,650	95,866,264
Financial assets measured at amortised cost	7	252,069,073	257,191,664
Statutory deposits	8	1,150,260,856	828,452,333
Deposits and other assets	9	1,529,701	1,529,701
Deferred tax assets	16	414,870	382,201
		<u>1,511,700,689</u>	<u>1,197,001,390</u>
Current assets			
Amounts due from broker	10	7,579,938	973,604,189
Amount due from immediate holding company	11	2,197,300	839,567
Financial assets at fair value through profit or loss	12	3,272,021,739	1,463,738,649
Interest receivable		24,171,289	14,748,769
Deposits and other assets	9	3,758,711	5,741,941
Tax recoverable	16	-	9,805,482
Cash and cash equivalents	13		
-General accounts		726,374,307	914,697,565
-Segregated accounts		47,037,295	385,341,575
Trade and other receivables	14	35,008,392	22,043,246
		<u>4,118,148,971</u>	<u>3,790,560,983</u>
Total assets		<u><u>5,629,849,660</u></u>	<u><u>4,987,562,373</u></u>

The accompanying notes an integral part of these financial statements



KOREA INVESTMENT AND SECURITIES ASIA LIMITED
韓國投資證券亞洲有限公司

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023
(Continued)

App ID: 11(1)(a)

	Notes	At 30 June 2023 HK\$ (Unaudited)	At 31 December 2022 HK\$ (Audited)
EQUITY			
Equity attributable to the owners of the Company			
Share capital	22	3,700,321,900	3,700,321,900
Retained earnings		181,062,737	83,413,093
Total equity		3,881,384,637	3,783,734,993
LIABILITIES			
Current liabilities			
Financial liabilities at fair value through profit or loss	12	-	229,875
Obligations under repurchase agreements		462,105,040	-
Accrued bonus		3,755,002	7,732,057
Accounts payable and accruals		4,697,726	7,059,657
Amount due to broker	10	204,386,661	973,436
Lease liabilities	5(b)	4,739,475	4,725,285
Trade and other payables	15	1,066,400,702	1,178,353,363
Total current liabilities		1,746,084,606	1,199,073,673
Non-current liabilities			
Lease liabilities	5(b)	2,380,417	4,753,707
Total non-current liabilities		2,380,417	4,753,707
Total liabilities		1,748,465,023	1,203,827,380
Total equity and liabilities		5,629,849,660	4,987,562,373

The accompanying notes are an integral part of these financial statements

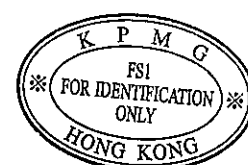


KOREA INVESTMENT AND SECURITIES ASIA LIMITED
韓國投資證券亞洲有限公司

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Notes	Six months ended 30 June 2023 HK\$ (Unaudited)	2022 HK\$ (Unaudited)
Revenue			
Fee income	17	13,421,838	12,756,056
Net gains on financial assets and financial liabilities at fair value through profit or loss	18	56,044,568	914,882
Net losses on interest in associates at fair value		(1,065,138)	(3,926,212)
Dividend income		8,019,977	3,381,243
Interest income from bonds and convertible notes		28,983,008	26,745,924
Interest income from loans	19	24,207,921	17,380,332
		<u>129,612,174</u>	<u>57,252,225</u>
Other income			
Other interest income	19	21,901,007	1,937,853
Exchange (losses)/gains, net		(5,808,582)	8,882,783
Other income		6	177
		<u>16,092,431</u>	<u>10,820,813</u>
Net total income		<u>145,704,605</u>	<u>68,073,038</u>
Expenses			
Staff costs		(22,644,061)	(17,386,317)
Travelling and entertainment		(1,964,188)	(870,395)
Information and communication costs		(7,706,338)	(6,887,463)
Insurance costs		(562,069)	(238,195)
Depreciation		(2,561,179)	(2,557,747)
Auditor's remuneration		(4,000)	(116,236)
Transaction fees		(1,568,434)	(1,511,891)
Commission and transaction fees related to loans and funds		(25,826)	-
Other operating expenses		(2,945,686)	(3,233,559)
Amortisation expense		(436,899)	(436,899)
Withholding tax		(483,693)	(1,770,155)
Reversal/(Provision) of expected credit losses		39,561	(826,668)
Total expenses		<u>(40,862,812)</u>	<u>(35,835,525)</u>

The accompanying notes are an integral part of these financial statements



KOREA INVESTMENT AND SECURITIES ASIA LIMITED
韓國投資證券亞洲有限公司

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2023 (Continued)

	Notes	Six months ended 30 June 2023 HK\$ (Unaudited)	2022 HK\$ (Unaudited)	
Finance costs				
- Interest paid to broker		(1,677,229)	(1,643,158)	
- Interest expense on lease liabilities		(24,292)	(38,396)	
- Interest paid for repurchase agreement		(5,482,919)	(563,205)	
- Interest paid for bank borrowing and overdraft		(40,378)	-	
		<u>(7,224,818)</u>	<u>(2,244,759)</u>	
Profit before tax		97,616,975	29,992,754	App ID, 11(1)(a)
Tax credit/(expense)	20	<u>32,669</u>	<u>(1,396,812)</u>	
Profit and total comprehensive income for the period		<u>97,649,644</u>	<u>28,595,942</u>	

The accompanying notes an integral part of these financial statements



KOREA INVESTMENT AND SECURITIES ASIA LIMITED
韓國投資證券亞洲有限公司

STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	(Unaudited)		
	Share capital HK\$	Retained earnings HK\$	Total HK\$
As at 1 January 2022	3,700,321,900	52,227,240	3,752,549,140
Profits and total comprehensive income for the period	-	28,595,942	28,595,942
As at 30 June 2022	<u>3,700,321,900</u>	<u>80,823,182</u>	<u>3,781,145,082</u>
As at 1 January 2023	3,700,321,900	83,413,093	3,783,734,993
Profits and total comprehensive income for the period	-	97,649,644	97,649,644
As at 30 June 2023	<u>3,700,321,900</u>	<u>181,062,737</u>	<u>3,881,384,637</u>

The accompanying notes are an integral part of these financial statements

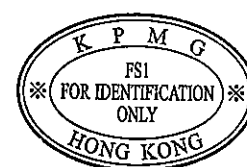


KOREA INVESTMENT AND SECURITIES ASIA LIMITED
韓國投資證券亞洲有限公司

STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Notes	Six months ended 30 June 2023 HK\$ (Unaudited)	2022 HK\$ (Unaudited)
Operating activities			
Profit before tax		97,616,975	29,992,754
Adjustments for:			
Depreciation		2,561,179	2,557,747
Amortisation expense		436,899	436,898
Interest income from debt securities and notes		(28,983,008)	(26,745,924)
Other interest income	19	(46,108,928)	(19,318,185)
Finance costs		7,224,818	2,244,759
Net losses on interest in associates at fair value		1,065,138	3,926,212
Unrealised loss on financial assets and financial liabilities at fair value through profit or loss		11,630,359	-
Unrealised gain on foreign exchange of interest in associates		(517,057)	-
Changes in working capital:			
Decrease/(increase) in financial assets at fair value through profit or loss		5,122,591	(495,204,484)
Increase in financial assets measured at amortised cost		(1,819,913,449)	(157,852,773)
(Increase)/decrease in due from immediate holding company		(1,357,733)	274,790
Decrease in amount due from a fellow subsidiary		-	35,688,649
(Increase)/decrease in deposits and other assets		(319,825,293)	331,294,169
Decrease/(increase) in amount due from broker		966,024,251	(29,535,527)
(Decrease)/increase in financial liabilities at fair value through profit or loss		(229,875)	6,119,361
Increase in obligations under repurchase agreements		462,105,040	172,136,378
Decrease in accrued bonus		(3,977,055)	(11,416,657)
Decrease in accounts payable and accruals		(2,361,931)	(426,627)
Increase in amount due to broker		203,413,225	98,833,015
Increase in trade and other receivables		(12,965,146)	(152,190,978)
Increase in trade and other payables		226,351,619	245,596,336
Cash (used in)/generated from operations		(252,687,381)	36,409,913
Interest received		65,669,416	34,959,686
Interest paid		(7,224,818)	(2,244,759)
Tax refunded/(paid)		9,805,482	(1,681,632)
Net cash (used in)/generated from operating activities		(184,437,301)	67,443,208

The accompanying notes an integral part of these financial statements

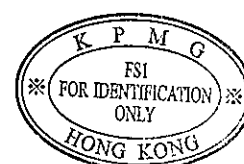


KOREA INVESTMENT AND SECURITIES ASIA LIMITED
韓國投資證券亞洲有限公司

STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2023 (Continued)

	Notes	Six months ended 30 June	
		2023 HK\$ (Unaudited)	2022 HK\$ (Unaudited)
Investing activities			
Purchased of fixed assets	3	(50,390)	(145,672)
Acquisition of interest in associates		(1,476,467)	(50,710,930)
Net cash used in investing activities		<u>(1,526,857)</u>	<u>(50,856,602)</u>
Financing activity			
Principal elements of lease payments		(2,359,100)	(2,344,995)
Net cash used in investing activity		<u>(2,359,100)</u>	<u>(2,344,995)</u>
Net (decrease)/increase in cash and cash equivalents		(188,323,258)	14,241,611
Cash and cash equivalents at beginning of the period		914,697,565	824,096,214
Cash and cash equivalents at end of the period		<u>726,374,307</u>	<u>838,337,825</u>

The accompanying notes an integral part of these financial statements



KOREA INVESTMENT AND SECURITIES ASIA LIMITED
韓國投資證券亞洲有限公司

NOTES TO THE INTERIM FINANCIAL REPORTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

1 Basis of preparation

The unaudited interim financial report of the Company has been prepared in accordance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). App 1D, 11(1)(c)

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

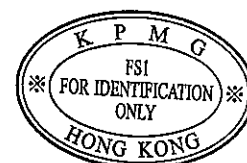
This interim financial report contains financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the 2022 annual financial statements. The interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited and is not reviewed by the auditor.

The financial information relating to the financial year ended 31 December 2022 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.



KOREA INVESTMENT AND SECURITIES ASIA LIMITED
韓國投資證券亞洲有限公司

NOTES TO THE INTERIM FINANCIAL REPORTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

2 Changes in accounting policies

The Company has applied the following amendments to HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

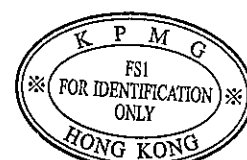
- HKFRS 17, Insurance contracts
- Amendments to HKAS 1, Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies
- Amendments to HKAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates
- Amendments to HKAS 12, Income Taxes: Deferred tax related to assets and liabilities arising from a single transaction

The Company has not applied any new standard or interpretation that is not yet effective for the current accounting period. Directors concluded that the impacts of the adoption of the amended HKFRSs do not have a material impact on these financial statements.

3 Property and equipment

	<i>Furniture</i> HK\$	<i>Leasehold improvement</i> HK\$	<i>Office equipment</i> HK\$	<i>Total</i> HK\$
As at 31 December 2022 (Audited)				
Cost	573,825	1,357,121	3,311,212	5,242,158
Accumulated depreciation	(539,965)	(1,119,399)	(2,764,773)	(4,424,137)
Net book value	<u>33,860</u>	<u>237,722</u>	<u>546,439</u>	<u>818,021</u>
As at 30 June 2023 (Unaudited)				
Cost	585,325	1,357,121	3,350,102	5,292,548
Accumulated depreciation	(550,137)	(1,184,232)	(2,933,767)	(4,668,136)
Net book value	<u>35,188</u>	<u>172,889</u>	<u>416,335</u>	<u>624,412</u>

During the six months ended 30 June 2023, the Company acquired items of property and equipment with a cost of HK\$50,390 (six months ended 30 June 2022: HK\$145,672).



KOREA INVESTMENT AND SECURITIES ASIA LIMITED
韓國投資證券亞洲有限公司

NOTES TO THE INTERIM FINANCIAL REPORTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

4 Intangible assets

	<i>Trading right</i> HK\$	<i>Computer & software</i> HK\$	<i>Total</i> HK\$
As at 31 December 2022 (Audited)			
Cost	1,000,000	4,368,987	5,368,987
Accumulated amortisation	-	(1,876,499)	(1,876,499)
Net book value	<u>1,000,000</u>	<u>2,492,488</u>	<u>3,492,488</u>
As at 30 June 2023 (Unaudited)			
Cost	1,000,000	4,368,987	5,368,987
Accumulated amortisation	-	(2,313,398)	(2,313,398)
Net book value	<u>1,000,000</u>	<u>2,055,589</u>	<u>3,055,589</u>

During the six months ended 30 June 2023, the Company has not acquired any items of intangible assets (six months ended 30 June 2022: HK\$ nil).

5 Leases

(a) Right-of-use assets

	At 30 June 2023 HK\$ (Unaudited)	At 31 December 2022 HK\$ (Audited)
The right-of-use of other properties as its Hong Kong office through tenancy agreements	<u>6,951,538</u>	<u>9,268,718</u>
(b) Lease liabilities		
Current	4,739,475	4,725,285
Non-current	2,380,417	4,753,707
	<u>7,119,892</u>	<u>9,478,992</u>

During the six months ended 30 June 2022, the Company has neither entered into any lease agreement nor recognised right-of-use assets and lease liabilities (six months ended 30 June 2022: HK\$11,493,428).

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6 Investment in associate

The following list contains the particulars of the associate, which is unlisted limited partnership whose quoted market price is not available:

<i>Name of associate</i>	<i>Form of business structure</i>	<i>Place of incorporation and business</i>	<i>Particulars of the Fund commitment</i>	<i>Proportion of ownership interest held by the Company</i>	<i>Principal activity</i>
Clean Energy Transition Fund LP	Limited Partnership	Cayman Islands	US\$15,000,000 of US\$28,350,000	52.91%	Investment (Note 1)

Note 1: The investment in Clean Energy Transition Fund LP, a partnership whose investment objective is to invest in clean energy transition companies.

Associates held by the Company held for capital appreciation are measured at fair value in the financial statements, breakdown as below:

	At 30 June 2023 HK\$ (Unaudited)	At 31 December 2022 HK\$ (Audited)
Clean Energy Transition Fund LP	96,794,650	95,866,264

7 Financial assets measured at amortised cost

	At 30 June 2023 HK\$ (Unaudited)	At 31 December 2022 HK\$ (Audited)
Financial assets		
Loans	255,209,149	260,377,267
Less: expected credit loss allowance	(3,140,076)	(3,185,603)
	<u>252,069,073</u>	<u>257,191,664</u>

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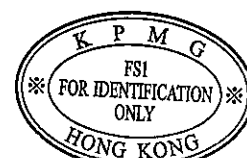
NOTES TO THE INTERIM FINANCIAL REPORTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

8 Statutory deposits

	At 30 June 2023 HK\$ (Unaudited)	At 31 December 2022 HK\$ (Audited)
The Hong Kong Securities Clearing Company Limited		
- Admission fee deposit	50,000	50,000
- Guarantee fund deposit	1,062,696	908,934
- Mainland security deposit	1,891,246	711,406
SEHK		
- Fidelity fund and compensation fund deposit	100,000	100,000
- Stamp duty deposit	30,000	30,000
HKFE		
- Reserve fund deposit	74,611,961	22,478,045
- Client deposit	979,736,052	776,790,413
- House deposit	91,278,901	27,383,535
SEOCH		
- Reserve fund deposit	1,500,000	-
	<u>1,150,260,856</u>	<u>828,452,333</u>

9 Deposits and other assets

	At 30 June 2023 HK\$ (Unaudited)	At 31 December 2022 HK\$ (Audited)
Non-current		
Rental and other deposits	1,529,701	1,529,701
	<u>1,529,701</u>	<u>1,529,701</u>
Current		
Prepayments and other deposits	3,758,711	5,741,941
	<u>3,758,711</u>	<u>5,741,941</u>



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NOTES TO THE INTERIM FINANCIAL REPORTS
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10 Amount due from / to broker

	At 30 June 2023 HK\$ (Unaudited)	At 31 December 2022 HK\$ (Audited)
Amount due from broker		
Deposit	7,579,938	973,604,189
	<u>7,579,938</u>	<u>973,604,189</u>
Amount due to broker		
Overdraft (Note)	204,169,608	756,744
Deposit	217,053	216,692
	<u>204,386,661</u>	<u>973,436</u>

Note: The overdraft amount bears interest at overnight reference rate plus 61 basis points (2022: overnight reference rate plus 61 basis points). The interest amount paid during the 6 months ended 30 June 2023 amounted to HK\$1,677,229 (2022: HK\$1,643,158). Custody assets, deposits and debt securities, which broker takes custody of, have been pledged as security against overdraft facilities granted to the Company by broker.

11 Amounts due from immediate holding company

Amount due from immediate holding company represent commission income receivable in accordance with written service agreements. The balances are unsecured, non-interest bearing and repayable on demand.



KOREA INVESTMENT AND SECURITIES ASIA LIMITED
韓國投資證券亞洲有限公司

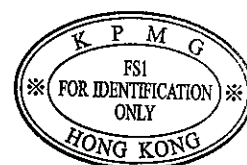
NOTES TO THE INTERIM FINANCIAL REPORTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

12 Financial assets and liabilities at fair value through profit or loss

	At 30 June 2023 HK\$ (Unaudited)	At 31 December 2022 HK\$ (Audited)
Financial assets		
Loans	346,990,652	361,033,925
Equity securities	396,827,001	19,683,927
Debt securities	2,260,536,162	775,581,611
Collective investment funds	84,268,573	154,402,968
Funds	163,953,928	149,327,832
Derivatives	19,445,423	3,708,386
	<u>3,272,021,739</u>	<u>1,463,738,649</u>
Financial liabilities		
Derivatives	-	(229,875)
	<u>-</u>	<u>(229,875)</u>

13 Cash and cash equivalents

	At 30 June 2023 HK\$ (Unaudited)	At 31 December 2022 HK\$ (Audited)
Bank balances at authorised financial institutions:		
(i) General accounts		
- Cash	45,781,975	268,322,348
- Time deposit with original maturity of 3 months or less	680,592,332	646,375,217
(ii) Segregated accounts	47,037,295	385,341,575
Cash and bank balances	<u>773,411,602</u>	<u>1,300,039,140</u>
Less: Client's money in segregated trust accounts	<u>(47,037,295)</u>	<u>(385,341,575)</u>
	<u>726,374,307</u>	<u>914,697,565</u>



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NOTES TO THE INTERIM FINANCIAL REPORTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

14 Trade and other receivables

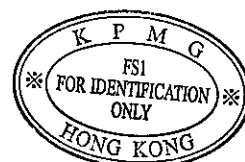
	At 30 June 2023 HK\$ (Unaudited)	At 31 December 2022 HK\$ (Audited)
Accounts receivable arising from the ordinary course of business of dealing in securities (Note):		
Clients		
- third parties	6,177,555	-
- intermediate holding company	8,733,361	4,013,792
Clearing house	18,410,431	7,587,325
	<u>33,321,347</u>	<u>11,601,117</u>
Other receivables, deposits and prepayments	1,687,045	10,442,129
	<u>35,008,392</u>	<u>22,043,246</u>

Note: The majority of the Company's account receivables, particularly those arising from the ordinary course of business of dealing and broking, are revolving in nature.

15 Trade and other payables

	At 30 June 2023 HK\$ (Unaudited)	At 31 December 2022 HK\$ (Audited)
Accounts payable arising from the ordinary course of business of dealing in securities and futures (Note):		
Clients		
- third parties	33,210,110	20,132,925
- intermediate holding company	1,004,277,244	1,144,513,521
Clearing house	28,913,348	5,206,977
	<u>1,066,400,702</u>	<u>1,169,853,423</u>
Commission payable to intermediate holding company	-	8,499,940
	<u>1,066,400,702</u>	<u>1,178,353,363</u>

Note: The settlement terms of trade payables arising from the business of the dealing in securities and futures are one to three days after trade date or on demand that held at trust and segregated.



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NOTES TO THE INTERIM FINANCIAL REPORTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

16 Income tax in statement of financial position

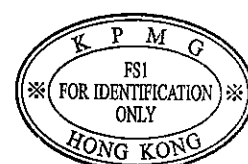
	At 30 June 2023 HK\$ (Unaudited)	At 31 December 2022 HK\$ (Audited)
<u>Current tax:</u>		
Provision for Hong Kong Profits Tax for the period	-	-
Provisional Profits Tax paid	-	-
	<hr/>	<hr/>
Balance of Profits Tax provision relating to prior years	-	(9,805,482)
	<hr/>	<hr/>
Income tax recoverable	-	(9,805,482)
	<hr/> <hr/>	<hr/> <hr/>

Deferred tax liabilities/(assets) recognised:

Deferred income tax is calculated in full on temporary differences under the liability method using a principal taxation rate of 16.5% (2022: 16.5%). As at 30 June 2023, the estimated unused tax losses arising in Hong Kong amounted to HK\$38million (2022: HK\$96million). No recognition deferred tax assets from tax losses due to uncertain of future assessable profits for utilisation of the tax losses.

Deferred tax (assets)/liabilities at the end of reporting period is as follows:

	<i>Depreciation allowances in excess of the related depreciation</i> HK\$	<i>Credit loss allowance</i> HK\$	<i>Other provision</i> HK\$	<i>Total</i> HK\$
As at 31 December 2022 (Audited)	<u>351,687</u>	<u>(529,470)</u>	<u>(204,418)</u>	<u>(382,201)</u>
As at 30 June 2023 (Unaudited)	<u>257,906</u>	<u>(522,942)</u>	<u>(149,834)</u>	<u>(414,870)</u>



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NOTES TO THE INTERIM FINANCIAL REPORTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

17 Fee income

	Six months ended 30 June	
	2023	2022
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Commission income from client referral	8,938,261	9,202,638
Commission income from securities and futures dealing	3,784,215	2,946,274
Advisory income	699,362	607,144
	<u>13,421,838</u>	<u>12,756,056</u>

18 Net gains on financial assets and financial liabilities at fair value through profit or loss

	Six months ended 30 June	
	2023	2022
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Net Trading and investment gains		
- Net loss on financial assets at fair value through profit and loss	(31,913,902)	(80,184,310)
- Net gain on derivative financial instruments	82,821,138	101,756,960
- Net gain/(loss) on fund at fair value through profit and loss	5,137,332	(20,657,768)
	<u>56,044,568</u>	<u>914,882</u>

19 Interest income

	Six months ended 30 June	
	2023	2022
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Interest income from loans	<u>24,207,921</u>	<u>17,380,332</u>
Interest income from		
- Authorised institutions	15,525,544	1,891,815
- Others	6,375,463	46,038
	<u>21,901,007</u>	<u>1,937,853</u>

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NOTES TO THE INTERIM FINANCIAL REPORTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

20 Taxation

Under the two-tiered profits tax rates regime, the Hong Kong Profits Tax rate for the first HK\$2 million of assessable profits will be lowered to 8.25% (half of the rate specified in schedule 8 to the Inland Revenue Ordinance) for corporations. Assessable profits above HK\$2 million will continue to be subject to the rate of 16.5% for corporations.

The amount of taxation credited/charged to the statement of comprehensive income represents:

	Six months ended 30 June	
	2023	2022
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Current tax expense		
- Hong Kong Profits Tax	-	-
- Overseas Taxation	-	1,681,632
Deferred taxation	(32,669)	(284,820)
	<u>(32,669)</u>	<u>1,396,812</u>

21 Related party transactions

(a) Commission income from client referral

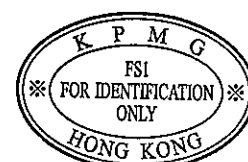
The Company provides client referral services to Korea Investment & Securities Company Limited (immediate holding company of the Company). Commission income represents the sharing of brokerage commissions received by Korea Investment & Securities Company Limited on the trades mainly in Korean listed investments as entered into by the clients referred by the Company. In accordance with the fully disclosed clearing agreements for the respective clients referred by the Company, the Company earns a certain percentage of the commissions received by Korea Investment & Securities Company Limited on the trades entered into by these clients.

During the six months ended 30 June 2023, an amount of HK\$8,938,261 was earned from Korea Investment & Securities Company Limited (for the first half of 2022: HK\$9,202,638), with receivable of HK\$2,197,300 as at 30 June 2022 (As of 31 December 2022: HK\$839,567).

(b) Commission income/expenditure from acquisition financing

The Company entered into the business cooperation agreement with Korea Investment & Securities Company Limited (immediate holding company of the Company) to conduct business activities related to investment banking business. Korea Investment & Securities Company Limited allocates the Company with appropriate revenue according to the agreement. The Company and Korea Investment & Securities Company Limited cooperated and conducted business activities together in relation to acquisition financing business.

During the six months ended 30 June 2023, there is neither commission earned from nor charged by Korea Investment & Securities Company Limited (for the first half of 2022: HK\$ nil), with no outstanding payable as at 30 June 2023 (As of 31 December 2022: HK\$ 8,499,940).



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NOTES TO THE INTERIM FINANCIAL REPORTS
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21 Related party transactions (Continued)

(c) Commission income from securities and futures dealing

The Company is providing securities and futures dealing services to Korea Investment & Securities Company Limited and charges commission income based on the trades.

22 Share capital

Ordinary shares, issued and fully paid:

	Number of shares	Share capital HK\$
At 31 December 2022 (Audited) and 30 June 2023 (Unaudited)	475,000,000	3,700,321,900

Ordinary shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid on the shares held.

23 Commitments

The outstanding capital commitment on the fund investments and on Investment in associate not provided for in the financial statements at 30 June 2023 is approximately \$131.5m (31 December 2022: \$140.4m).



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NOTES TO THE INTERIM FINANCIAL REPORTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

24 Fair value measurement of financial instruments

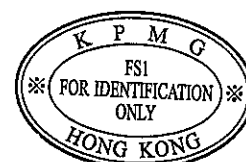
The following table presents the fair value of the Company's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The determination of what constitutes "observable" requires significant judgment by the directors. The directors consider observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy of the Company's financial assets measured at fair value:

	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
At 30 June 2023				
(Unaudited)				
Assets				
Financial assets at fair value through profit or loss				
- Loans	-	-	346,990,652	346,990,652
- Equity securities	388,988,481	-	7,838,520	396,827,001
- Debt securities	-	2,260,536,162	-	2,260,536,162
- Convertible notes	-	-	11,757,822	11,757,822
- Collective Investment Securities	84,268,573	-	-	84,268,573
- Funds	-	-	163,953,928	163,953,928
- Futures contracts	45,988	-	-	45,988
- Forward contracts	-	7,641,613	-	7,641,613
	<u>473,303,042</u>	<u>2,268,177,775</u>	<u>530,540,922</u>	<u>3,272,021,739</u>
Liabilities				
Financial liabilities at fair value through profit or loss				
- Forward contracts	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



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24 Fair value measurement of financial instruments (Continued)

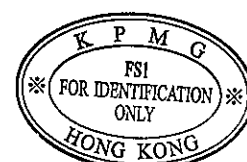
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	Total HK\$
At 31 December 2022 (Audited)				
Assets				
Financial assets at fair value through profit or loss				
- Loans	-	-	361,033,925	361,033,925
- Equity securities	19,683,927	-	-	19,683,927
- Debt securities	-	775,581,611	-	775,581,611
- Collective Investment Securities	154,402,968	-	-	154,402,968
- Funds	-	-	149,327,832	149,327,832
- Forward contracts	-	3,708,386	-	3,708,386
	<u>174,086,895</u>	<u>779,289,997</u>	<u>510,361,757</u>	<u>1,463,738,649</u>
Liabilities				
Financial liabilities at fair value through profit or loss				
- Forward contracts	-	(229,875)	-	(229,875)
	<u>-</u>	<u>(229,875)</u>	<u>-</u>	<u>(229,875)</u>

During six months ended 30 June 2023, there were no significant transfers between instruments in Level 1, Level 2 and Level 3, or transfers into or out of Level 3 (2022: HK\$ nil). The Company's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of the unquoted debt securities is determined by discounting the future coupons and principal amount. The discount rate used is derived with reference to debt securities with similar risk profile.

The fair value of the foreign currency forward contracts is the discounted amount that the Company would receive or pay at maturity date, taking into account the current interest rates of the underlying currencies and the creditworthiness of the counterparty.



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24 Fair value measurement of financial instruments (Continued)

Valuation techniques and significant unobservable inputs used in Level 3 fair value measurements

	<i>Fair value at 30 June 2023 HK\$</i>	<i>Fair value at 31 December 2022 HK\$</i>	<i>Valuation technique</i>	<i>Unobservable input</i>	<i>Range for unobservable input</i>	<i>Sensitivity to changes in unobservable input</i>
Unlisted investment funds	163,953,928	149,327,832	Net asset value	Liquidity lock-up/ no right of withdrawal	N/A	The estimated fair value would decrease if the liquidity lock-up discount is higher
Unlisted loans	346,990,652	361,033,925	The present value of cash flows discounted	Discount rate	7.5829% p.a. (2022: 7.13% to 7.88% p.a.)	The estimated fair value would increase if discount rate decrease
Unlisted equity	7,838,520	-	Costs	N/A	N/A	N/A
Unlisted convertible notes	11,757,822	-	Costs	N/A	N/A	N/A
	<u>530,540,922</u>	<u>510,361,757</u>				

The fund held by the Company is a Level 3 investments which the Company values based on the shareholding percentage of the net asset value of the fund as at year-end date.

The loans held by the Company is a Level 3 investments which the Company values based on the present values of future cash flows, discounted at interest rates based on the government yield curve as at the end of the reporting period plus an adequate constant credit spread, adjusted for the company's own credit risk.

For period ended 30 June 2023 and 2022, there were no transfers between levels.

25 Subsequent event

There have been no matters or circumstances that have arisen since the end of the financial period, which significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the status.

PARTIES

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